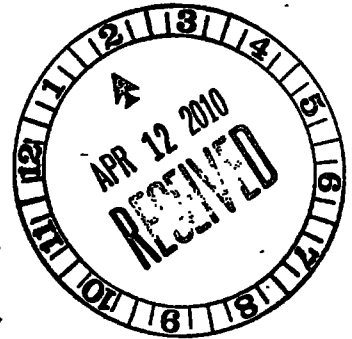


CHARLES H. MONTANGE
ATTORNEY AT LAW
426 NW 162ND STREET
SEATTLE, WASHINGTON 98177
(206) 546-1936
FAX (206) 546-3739

9 April 2010
by express



Ms. Cynthia T. Brown
Chief, Section of Administration
Office of Proceedings
Surface Transportation Board
395 E Street, S.W., Room 1034
Washington, D.C. 20024

226796

ENTERED
Office of Proceedings

APR 12 2010

Part of
Public Record

Re: Michael Williams -- Control Exemption -
St. Maries River Railroad, Inc.,
STB Finance Docket No. 35365

Dear Ms. Brown:

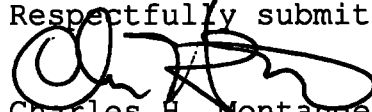
Enclosed please find the original and ten copies of a Notice of Exemption (for a non-carrier to obtain control of two or more carriers through ownership of stock) pursuant to 49 C.F.R. 1180.2(d)(2), and the original and ten copies of a motion for a protective order, for filing in the above-referenced proceeding.

Pursuant to 49 C.F.R. 1104.14(a), I am submitting under seal for confidential treatment pending action on the referenced motion for a protective order the unredacted Stock Purchase Agreement ("SPA") associated with the transaction for which this control exemption is sought. It is my understanding that the unredacted SPA (which is the subject of the protective order motion) will not be placed in the public record, and on behalf of Mr. Williams (and Potlatch, the seller) I so request.

A check in the amount of \$1300 for the filing fee is also enclosed.

In the event of questions, please feel free to contact me. Thank you for your assistance in this matter.

Respectfully submitted,


Charles H. Montange
for Michael Williams and
Williams Group LLC

FILED

APR 12 2010

**SURFACE
TRANSPORTATION BOARD**
Encls. (Two orig plus ten each, check)

cc. (by email or fax) Steve Faust, counsel for Potlatch

FEE RECEIVED
APR 12 2010
**SURFACE
TRANSPORTATION BOARD**

BEFORE THE SURFACE TRANSPORTATION BOARD

FINANCE DOCKET 35365

MICHAEL WILLIAMS

- CONTROL EXEMPTION -

ST MARIES RIVER RAILROAD, INC.

VERIFIED NOTICE OF EXEMPTION
OF

MICHAEL WILLIAMS
FOR COMMON CONTROL

PURSUANT TO 49 C.F.R. 1180.2(d)(2)



226796

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Public Record

Michael Williams ("Williams"), a non-carrier, hereby files this notice of exemption under 49 C.F.R. 1180.2(d)(2) to obtain control of St. Maries River Railroad, Inc. ("STMA"), a Class III rail carrier, through the purchase of all of STMA's stock from Potlatch Land & Lumber, LLC ("Potlatch"), by Williams Group LLC, ("WG"), a limited liability corporation owned and controlled by Williams. WG owns and controls no other railroads or railroad lines. However, Williams does own and control other railroads. In particular, Williams owns and controls 3 other railroads located in the States of Idaho, Missouri and South Dakota.

The other railroads or railroad lines owned and controlled by Williams do not connect with STMA. This proposed control transaction is not part of a series of anticipated transactions that would result in such a connection. This proposed control transaction does not involve a Class I carrier. Williams

FILED

APR 12 2010

SURFACE
TRANSPORTATION BOARD

acquisition of control of STMA is accordingly exempt under 49 C.F.R. 1180.2(d)(2).

In accordance with the requirements of 49 C.F.R. 1180.4(g), Williams submits the following information:

Description of Proposed Transaction: 49 C.F.R. 1180.6(a)(1)(I)

STMA is a wholly owned subsidiary of Potlatch.

WG is a non-carrier holding company owned and controlled by Williams. WG does not own or control any rail carriers. WG will acquire all the stock of STMA from Potlatch.

WG is advised that such a stock purchase in and of itself is not a regulated transaction. However, WG is owned and controlled by Williams. Williams owns and controls several other railroads. Williams is advised that STB authorization for common control is therefore required.

The other railroads owned and controlled by Williams, all of which are Class III and none of which connect with STMA, are summarized below.

(1) BG & CM Railroad. See BG & CM Railroad - Acquisition and Operation Exemption - Great Northwest Railroad, Inc., F.D. 34713, served July 6, 2005 (76.2 miles of rail line in Nez Perce, Clearwater and Lewis Counties, ID); BG & CM Railroad -Exemption from 49 U.S.C. Subtitle IV, F.D. 34399, served Oct. 17, 2003, clarified Camas Prairie Railnet, Inc. - Abandonment - in Lewis, Nez Perce, and Idaho Counties, ID, AB 564, served May 3, 2004 (contract, not common, carrier operations on an additional 65.8 miles).

(2) Ozark Valley Railroad. See Ozark Valley Railroad - Acquisition and Operation Exemption - The Kansas City Southern Railway Company, F.D. 34989, served June 8, 2007 (purchase of 21.99 miles, lease of 3 miles, for total operation of 24.99 miles, plus approximately 8 miles of overhead and incidental trackage rights located in Audrain and Callaway Counties, MO).

(3) Dakota Southern Railway Company ("DSRA"). In addition to the above, Mr. Williams expects shortly to file a notice of exemption to acquire the stock of the above railroad, which has operating rights over two track segments owned by agencies of state or local government in South Dakota: (A) Platte Line, Napa Junction (MP 0.00 to Ravinia (MP 57), and (B) Mitchell to Kodoka, MP 374.6 (Mitchell) to MP 52.6 (Kodoka).

No significant changes in rail service currently provided by STMA are anticipated as a result of the proposed transaction. There are no prohibitions on interchange.

The full name and address of the applicant is:

Michael Williams, Williams Group LLC,
8447 US Highway 60 West,
Mountain View, MO 65548.
816-290-5567

Any questions concerning this Notice should be sent to Mr. Williams' representative at the following address:

Charles Montange
Law Offices of Charles Montange
426 NW 162d St.

Seattle, WA 98177

(206) 546-1936

Proposed Schedule for Consummation: 49 C.F.R. 1180.6(a)(1)(ii)

Mr. Williams through WG intends to consummate the proposed control no later than May 28, 2010. In no event will Mr. Williams through WG exercise control of STMA earlier than thirty days after filing of this notice of exemption. See 49 C.F.R. 1180.4(g)(1).

Purpose Sought to Be Accomplished: 49 C.F.R. 1180.6(a)(1)(iii)

The exemption sought herein will allow Mr. Williams through WG to exercise common control of STMA and Mr. Williams' existing rail carriers.

States in Which Property of Applicants Is Located: 49 C.F.R. 1180.6(a)(5)

Mr. Williams is a non-carrier and does not directly own rail property (only stock in same). STMA owns and operates rail property in the State of Idaho. Mr. Williams controls railroads through stock ownership in the States of Idaho and Missouri, and shortly will apply for similar control via stock ownership in South Dakota.

Map-Exhibit 1: 49 C.F.R. 1180.6(a)(6)

A map showing the rail lines of STMA and BG & CM in the State of Idaho is attached hereto as Exhibit 1.

Agreement- Exhibit 2: 49 C.F.R. 1180.6(a)(7)(ii)

A redacted version of the Stock Purchase Agreement dated February 17, 2010 by and between WM and Potlatch is attached

hereto as Exhibit 2. An unredacted copy of the Stock Purchase Agreement is being submitted under seal subject to a motion for protective order filed concurrently herewith.

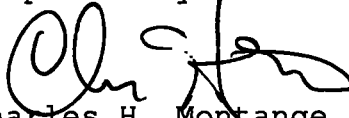
Labor Protective Conditions: 49 C.F.R.; 180.4(g)(1)(I)

Pursuant to 49 U.S.C. 11326(c), no employee protective conditions may be imposed on this transaction. STMA and all of Williams existing railroads are Class III rail carriers.

Environmental and Historic Preservation Matters: 49 C.F.R. 1180.4(g)(3)

Under 49 C.F.R. 1105.6(c)(2)(i), the proposed control transaction is exempt from environmental reporting requirements. Mr. Williams' acquisition of control through WG will not result in significant changes in carrier operations, i.e., changes that exceed the thresholds established in 49 C.F.R. 1105.7(e)(4) or (5). Under 49 U.S.C. 1105.8(b)(3), Mr. Williams' proposed control of STMA is also exempt from historic preservation reporting requirements. That control transaction will not substantially change the level of maintenance of any railroad property.

Respectfully submitted,

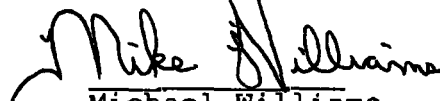


Charles H. Montange
426 NW 162d St.
Seattle, WA 98177
206-546-1936
Attorney for Michael Williams
and Williams Group LLC

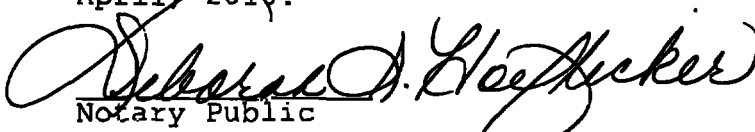
Dated: April 9, 2010

Verification

Michael Williams, being duly sworn, deposes and states that he is the Managing Member and owner of Williams Group LLC, that he has read the foregoing Notice of Exemption, and knows the facts asserted therein, and the same are true as stated.


Michael Williams

Subscribed and sworn to
before me this 8th day of
April, 2010.


Notary Public

My commission expires: 3-25-12



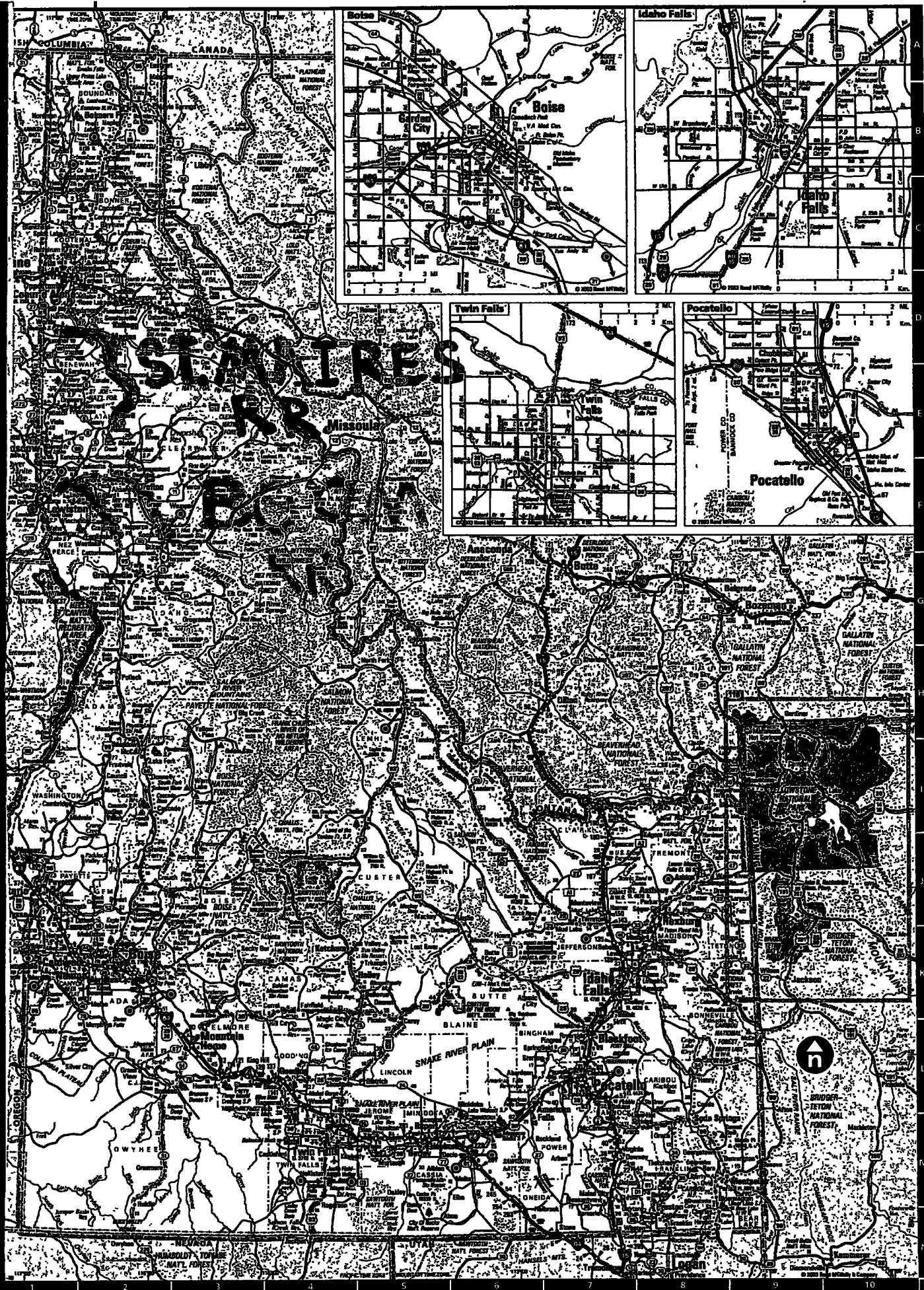


Exhibit 2

Redacted Stock Purchase Agreement

STOCK PURCHASE AGREEMENT

This STOCK PURCHASE AGREEMENT (this "**Agreement**"), dated as of the 17th day of February, 2010 (the "**Agreement Date**"), is by and between POTLATCH LAND & LUMBER, LLC, a Delaware limited liability company ("**Seller**"), whose main offices are located at 601 W. First Avenue, Suite 1600, Spokane, Washington 99201, and Michael Williams, an individual ("**Purchaser**"), whose main offices are located in Richmond, Missouri. Seller and Purchaser are sometimes collectively referred to as the "**Parties**," and individually, as a "**Party**."

RECITALS

A. Seller is the owner of all of the issued and outstanding shares of common stock (the "**Shares**") of the St. Maries River Railroad Company, an Idaho corporation ("**Company**"). The Company is a rail carrier subject to the jurisdiction of the Surface Transportation Board (the "**STB**").

B. Seller desires to sell to Purchaser, and Purchaser desires to purchase from Seller, the Shares on the terms and subject to the conditions set forth in this Agreement.

C. Concurrently herewith, Seller is delivering to Purchaser certain disclosure schedules (referred to herein as the "**Disclosure Schedules**"), in the form attached hereto as Exhibit A, which are incorporated herein.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual benefits to be derived and the representations and warranties, conditions, covenants and agreements herein contained, and intending to be legally bound hereby, the Parties hereto agree as follows:

ARTICLE I CERTAIN DEFINITIONS

Section 1.01 **Certain Defined Terms.** As used in this Agreement, the following terms have the meanings specified in this Section 1.01.

"**Affiliate**" means, with respect to a specified Person, any other Person which directly or indirectly, through one or more intermediaries, controls, is controlled by or is under common control with the Person specified; and the term "control" (including the terms "controlling," "controlled by" and "under common control with") means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities or otherwise.

"**Agreement**" means this Agreement, together with all Exhibits and Schedules attached hereto, as the same may be modified, amended, supplemented or restated from time to time.

"**Agreement Date**" means the date of this Agreement, as set forth in the Preamble hereto.

"**Announcement**" means any announcement to the public or to the trade, the employees or any customer or supplier of the Companies with respect to this Agreement or any of the transactions contemplated hereby.

"Balance Sheet" has the meaning set forth in Section 4.04.B of this Agreement.

"Balance Sheet Date" has the meaning set forth in Section 4.04.B of this Agreement.

"Blue Sky Laws" means the securities or blue sky laws of any state of the United States.

"Bovill Line" has the meaning set forth in Section 6.12 of this Agreement.

"Business Day" means any day that is not a Saturday, Sunday or other day on which banking institutions in Spokane, Washington or Richmond, Missouri are authorized or required by Law to close.

"CERCLA" means the federal Comprehensive Environmental Response, Compensation, and Liability Act, as the same may have been amended.

"CERCLIS" means the Comprehensive Environmental Response Compensation and Liability Inventory System established pursuant to CERCLA.

"Closing" means the closing and consummation of the Purchase and Sale and the other transactions contemplated by this Agreement.

"Closing Date" means March 31, 2010, or, if the condition set forth in Section 7.01.H and 7.02.H is not satisfied by March 31, then five (5) Business Days after such condition is satisfied, or such later date mutually agreed upon by Purchaser and Seller that is within five (5) Business Days after the first date upon which all of the conditions set forth in Article 7 shall have been satisfied or waived.

"Code" means the Internal Revenue Code of 1986, as the same may have been amended.

"Company" has the meaning set forth in Recital A to this Agreement.

"Company Material Adverse Effect" means, (a) with respect to the Company, a circumstance, condition, change, event or effect (a **"Change"**) that has a material adverse effect on the business, financial condition or results of operations of the Company, taken as a whole, or (b) which would reasonably be expected to prevent or materially impair or delay the ability of Seller to perform its obligations under this Agreement or to consummate the transaction contemplated by this Agreement, other than, in each case, relating to or resulting from: (i) Changes generally affecting the economy or the financial, credit, securities or transportation markets, to the extent such Changes do not affect the Company in a materially disproportionate manner relative to other participants in the businesses and industries in which the Company operates; (ii) national or international political or regulatory Changes, including any engagement in hostilities, whether or not pursuant to the declaration of a national emergency or war or the occurrence of any military or terrorist attack occurring prior to, on or after the Agreement Date, to the extent such Changes do not affect the Company in a materially disproportionate manner relative to other participants in the businesses and industries in which the Company operates; (iii) Changes in the businesses or any of the industries in which the Company operates, to the extent such Changes do not affect the Company in a materially disproportionate manner relative to other participants in such businesses and industries; (iv) Changes, after the date hereof, in GAAP or in Law, to the extent such Changes do not affect the Company in a materially disproportionate manner relative to other participants in the businesses and industries in which the Company

operates; (v) natural disasters, to the extent such Changes do not affect the Company in a materially disproportionate manner relative to other participants in the businesses and industries in which the Company operates; or (vi) the announcement of this Agreement or the pendency of the transaction contemplated hereby.

"Company Plan" means all Plans of which the Company is a Plan Sponsor, or to which the Company otherwise contributes or in which the Company otherwise participates.

"Consent" means any governmental, judicial or private party consent, approval, permission, authorization, waiver or exemption.

"Contract" means any written contract, agreement, instrument, undertaking, commitment or arrangement of any kind or description whatsoever to which the Company is a party or by which any property, assets, or capital stock of the Company is subject or bound.

"Disclosure Schedules" has the meaning given in Recital C to this Agreement.

"Earn-Out" has the meaning given in Section 2.02(c).

"Earn-Out Period" has the meaning given in Section 2.2(c).

"Employees" has the meaning set forth in Section 4.11 of this Agreement.

"Environmental, Health and Safety Liabilities" means any Liabilities arising from or under Environmental Law or Occupational Safety and Health Law and consisting of or relating to:

(i) any environmental, health or safety matters or conditions (including on-site or off-site contamination, occupational safety and health, and regulation of Hazardous Substances);

(ii) fines, penalties, judgments, awards, settlements, legal or administrative proceedings, damages, losses, claims, demands, and remedial action, response, investigation or inspection costs and expenses arising under Environmental Law or Occupational Safety and Health Law; or

(iii) financial responsibility under Environmental Law or Occupational Safety and Health Law for cleanup costs or corrective action, including any investigation, cleanup, removal, containment, or other remedial action required by applicable Environmental Law or Occupational Safety and Health Law.

"Environmental Law" means any Law of, any Permit from, or any consent, decree or agreement with, any federal, state, regional, special district or local governmental authority regulating, relating to or imposing liability or enforceable standards of conduct relating to environmental matters or the protection of the environment, including (as the same may have been amended from time to time), the federal Clean Air Act, the federal Clean Water Act, the federal Resource Conservation and Recovery Act, CERCLA, any so-called "Superfund" or "Superlien" Law, the federal Toxic Substances Control Act and any similar state or local Law.

"Equitable Exceptions" has the meaning set forth in Section 4.02.C of this Agreement.

"ERISA" means the federal Employee Retirement Income Security Act of 1974, as the same may have been amended.

"ERISA Affiliate" means, with respect to the Company, any other Person that, together with the Company, would be treated as a single employer under Section 414 of the Code.

"Exchange Act" means the federal Securities Exchange Act of 1934, as the same may have been amended, together with the rules and regulations promulgated thereunder.

"Financial Statements" means the financial statements of the Company included in Disclosure Schedule 4.04.

"GAAP" means generally accepted accounting principles as in effect from time to time in the United States.

"Governmental Body" means any state, county, city, district or other jurisdiction of any nature; federal, state, local, municipal or other government; governmental or quasi-governmental authority of any nature (including any governmental agency, branch, department, official or entity); or body exercising, or entitled to exercise, any administrative, executive, legislative, policing, regulatory or taxing authority or power of any nature.

"Hazardous Substance" means any hazardous, toxic or polluting contaminant, substance or waste, including any solid waste, toxic substance, hazardous substance, hazardous material, hazardous chemical, pollutant or hazardous or acutely hazardous waste defined or qualifying as such in (or for the purposes of) any Environmental Law, and shall also include (but not be limited to) petroleum (including crude oil and any fraction thereof), any radioactive material (including any source and special nuclear by-product material as defined at 42 U.S.C. § 2011 *et seq.*, as amended), polychlorinated biphenyls (PCBs) and asbestos in any form or condition.

"Income Taxes" means all U.S. federal income taxes and all income and franchise taxes imposed by states, territories and possessions of the United States and political subdivisions thereof which are based on or measured by net income or net profits together with all interest, penalties and additions imposed with respect to such taxes.

"Indemnified Person" has the meaning set forth in Section 9.04 of this Agreement.

"Indemnifying Person" has the meaning set forth in Section 9.04 hereof.

"Intellectual Property Rights" means all patents, patent applications, trademarks, service marks, trademark or service mark registrations, applications for trademark or service mark registrations, trade names, Internet domain names, brand names, trade dress rights, logos and registered copyrights.

"IRS" means the U.S. Internal Revenue Service.

"Laws" means all federal, state, regional, special district and local laws, statutes, ordinances, codes, directives, rules and regulations of any Governmental Body.

"Liabilities" means any direct or indirect indebtedness, liability, claim, deficiency, obligation or responsibility, whether known or unknown, fixed or unfixed, liquidated or unliquidated, secured or unsecured, accrued, absolute, contingent or otherwise.

"Liens" means all liens, security interests, mortgages, pledges, covenants, easements and similar encumbrances and defects in title.

"Losses" has the meaning set forth in Section 9.03 of this Agreement.

"Material Contracts" has the meaning set forth in Section 4.13 of this Agreement.

"Notice" means any notice, announcement, communication or other advice.

"Occupational Safety and Health Law" means any law, including but not limited to the Laws administered by the Federal Railroad Administration and the Occupational Safety and Health Administration, designed to provide safe and healthful working conditions and to reduce occupational safety and health hazards.

"Ordinary Course of Business" means, with respect to any action taken by a Person, that such action:

(i) is consistent with the past practices of such Person or is taken in the ordinary course of the normal operations of such Person; or

(ii) is similar in nature and magnitude to actions customarily taken in the ordinary course of the normal operations of other Persons that are in the same line of business as such Person.

"Other Benefit Obligation" means all legally binding obligations, arrangements or customary practices to provide benefits, other than salary, as compensation for services rendered, to present or former employees other than obligations, arrangements, and practices that are Plans.

"Other Benefit Obligations of the Company" means any Other Benefit Obligation owed, adopted or followed by the Company or by an ERISA Affiliate of the Company.

"Operating Guaranty" has the meaning given in Section 3.03.

"Payment Date" has the meaning given in Section 2.02(d).

"Permits" means all governmental licenses, permits, rights, privileges, registrations, required reports, franchises, authorizations and other consents which are required under any applicable Law to own or operate the business of the Company.

"Permitted Exceptions" means: (i) Liens for taxes not yet due and payable; (ii) Liens imposed by Law, such as banker's, warehousemen's, mechanic's and materialmen's liens, and other similar statutory or common law liens arising in the Ordinary Course of Business; (iii) Liens arising out of pledges, bonds or deposits under worker's compensation laws, unemployment insurance, old age pension or other social security or retirement benefits or similar legislation and deposits securing obligations for self-insurance arrangements in connection with any of the foregoing; (iv) easements, rights of way, building restrictions, minor defects or irregularities in title and such other encumbrances or charges against property (real, personal or mixed) existing as of the date hereof which do not in a materially adverse way affect the marketability of the same or materially interfere with the use thereof in the Ordinary Course of Business; (v) statutory Liens of landlords arising under leases as to which the Company is lessee; and (vi) leases or subleases granted to others in the Ordinary Course of Business.

"Person" means any natural person, corporation (including any non-profit corporation), general or limited partnership, joint venture, limited liability company, bank, trust or unincorporated organization, joint-stock company or other similar organization, Governmental Body, estate, trust, organization, labor union or any other legal entity, whether acting in an individual, fiduciary or other capacity.

"Plan" has the meaning given in Section 3(3) of ERISA.

"Plan Sponsor" has the meaning given in Section 3(16)(B) of ERISA.

"Policy" has the meaning set forth in Section 4.18 of this Agreement.

"Purchase and Sale" means the transaction provided for in Section 2.01 of this Agreement.

"Purchase Price" has the meaning set forth in Section 2.02 of this Agreement.

"Purchaser" has the meaning set forth in the Preamble to this Agreement, and its successors and permitted assigns.

"Purchaser Consents" has the meaning set forth in Section 5.02.A of this Agreement.

"Purchaser Documents" means this Agreement, the Service Agreement, the Security Agreement, and the other agreements, instruments, certificates or other documents executed and delivered by Purchaser in connection with this Agreement or the Closing.

"Purchaser Material Adverse Effect" means a condition or event which results in or has (a) a material adverse change in, or a material adverse effect on, the business, liabilities, condition (financial or otherwise), properties, assets or results of operations of the Purchaser, or (b) a material adverse effect on the ability of the Purchaser to perform its obligations under this Agreement and the other Purchaser Documents to which it is a party or to consummate the transaction contemplated hereby and thereby.

"Purchaser's Indemnified Persons" means Purchaser and its directors, officers, shareholders, controlling persons, employees and agents.

"Real Property" has the meaning set forth in Section 4.05.A of this Agreement.

"Required Consents" has the meaning set forth in Section 7.01.B of this Agreement.

"Securities Act" means the Securities Act of 1933, as the same may have been amended, together with the rules and regulations promulgated thereunder.

"Security Agreement" has the meaning set forth in Section 3.02 of this Agreement.

"Seller" has the meaning set forth in the Preamble to this Agreement, and its successors and permitted assigns.

"Seller Consents" has the meaning set forth in Section 4.02.B of this Agreement.

"Seller Documents" means this Agreement, the Service Agreement and the other agreements, instruments, certificates or other documents executed and delivered by Seller, the Company or any Affiliate thereof in connection with this Agreement or the Closing.

"Seller Income Tax Periods" has the meaning set forth in Section 6.09.A of this Agreement.

"Seller's Indemnified Persons" means Seller and its directors, officers, shareholders, controlling persons, employees and agents, and the directors, officers, employees and agents of the Company who served as such for any period while Seller or any of its Affiliates owned the Company.

"Service Agreement" has the meaning set forth in Section 3.01 of this Agreement.

"Shares" has the meaning set forth in Recital A of this Agreement.

"Straddle Period Returns" means all Tax Returns of the Company for taxable periods beginning before and ending after the Closing Date.

"STB" has the meaning given in Recital A of this Agreement.

"Storage Fee Buy Out Amount" has the meaning given in Section 2.02(c).

"Storage Fee Earn-Out" has the meaning set forth in Section 2.02(c).

"Survey" has the meaning set forth in Section 6.13 of this Agreement.

"Switching Fee Earn-Out" has the meaning set forth in Section 2.02(c).

"Tangible Personal Property" has the meaning set forth in Section 4.05.A of this Agreement.

"Tax Returns" means all returns (including information returns) and reports, including all schedules and other information and materials filed, submitted or required to be filed or submitted to any Governmental Body in connection with the determination, assessment, collection or administration of any Taxes.

"Tax" or "Taxes" means all taxes, charges, levies or other like assessments, including all net income, gross income, gross receipts, sales, use, ad valorem, transfer, franchise, profits, capital, payroll, employment, excise, stamp, property or other taxes, together with any interest and any penalties, additions to tax or additional amounts imposed by any Governmental Body.

"Termination Date" has the meaning set forth in Section 8.02.D of this Agreement.

"Threshold Amount" has the meaning set forth in Section 9.01.B(iii) of this Agreement.

Section 1.02 Other Definitional Matters.

A. **References.** Unless otherwise indicated, references in this Agreement to "Articles," "Sections," "Exhibits," "Schedules" and other subdivisions are references to articles, sections, exhibits, schedules and other subdivisions hereof.

B. **Terminology.** All words of gender or neuter used in this Agreement, whether used in the masculine, feminine or neuter gender, shall include all other genders; the singular shall include the plural, and the plural shall include the singular. Titles of Articles and Sections in this Agreement are for convenience only, and neither limit nor amplify the provisions of this Agreement. The words "includes" and "including" are used in this Agreement without limitation unless qualified by terms such as "only" or "solely."

C. **Rule of Construction.** The Parties to this Agreement acknowledge that each Party and its respective counsel have participated in the drafting and revision of this Agreement. Accordingly, the Parties agree that any rule of construction which disfavors the drafting party shall not apply in the interpretation of this Agreement.

**ARTICLE 2
PURCHASE AND SALE**

Section 2.01. Purchase and Sale. On the Closing Date, Seller shall sell, transfer, assign, grant, convey and set over to Purchaser, and its successors and assigns forever, and Purchaser shall purchase and receive from Seller, free and clear of any and all Liens (other than any restrictions on transfer imposed by federal and state securities laws), all of Seller's right, title and interest in, to, and under the Shares:

Section 2.02. Total Consideration and Terms. The aggregate consideration for the Shares to be purchased by Purchaser (the "**Total Consideration**") (the "**Closing Cash Consideration**") and (ii) the Earn-Out. The Total Consideration shall be allocated as set forth in Disclosure Schedule 2.02. The Total Consideration shall be payable as follows:

(a) Upon the execution and delivery of this Agreement, Purchaser shall deposit with Seller the sum of _____ (the "**Deposit**"). The Deposit shall be non-refundable, provided that if this Agreement is terminated by Purchaser for material breach by Seller, which is neither waived nor cured within the time allowed by Section 8.02 of this Agreement, Seller shall refund the Deposit to Purchaser.

(b) At Closing, Purchaser shall pay to Seller, at Seller's election, by certified check or by wire transfer of immediately available funds to a bank account designated by Seller, the Closing Cash Consideration, less the amount of the Deposit if it has already been paid to and retained by Seller.

(c) Purchaser shall, or shall cause the Company to, pay to Seller an earn-out (the "**Earn-Out**") with respect to each calendar quarter from the Closing Date to the fifth anniversary of the Closing Date (the "**Earn-Out Period**") equivalent to (i) all switching fees payable to the Company for all cars handled by the Company during each such calendar quarter, whether such cars are handled for Potlatch or any other customer or carrier (but net of any switching fees paid to the Company for cars stored by the

Company, which fees shall instead be subject to the Storage Fee Earn Out as defined in the next clause of this sentence) (the "~~Switching Fee Earn-Out~~"); plus (ii) fifty percent (50%) of all amounts received by the Company, together with amounts that would have been received by exercise of the Company's best efforts, for all cars stored by the Company during such calendar quarter, or one hundred percent (100%) of such sums to the extent required pursuant to Section 6.12 (the "~~Storage Fee Earn-Out~~"); provided, however, that: (x) the cumulative Switching Fee Earn-Out shall not exceed _____, and no Switching Fee Earn-Out shall be due or payable for switching fees earned by the Company during the last two calendar quarters of the Earn-Out Period; (y) the cumulative Storage Fee Earn-Out shall not exceed _____; and (z) Purchaser may, at its option, discharge the obligation to pay the Storage Fee Earn-Out by tendering, or causing the Company to tender, to Seller the Storage Fee Buy Out Amount as set forth in section 2.02(d), by wire transfer of immediately available funds to an account designated by Seller for such purpose, and accompanied by a statement showing the calculation of the Storage Fee Buy Out Amount as tendered by Purchaser.

(d) The "~~Storage Fee Buy Out Amount~~" shall equal (i) the appropriate sum as set forth in the table below in respect of the time when the Storage Fee Buyout Amount is tendered, minus (ii) the cumulative amount of Storage Fee Earn-Out payments actually received by the Seller from the Purchaser from the Closing to the time immediately before the Storage Fee Buyout Amount is tendered.

Storage Fee Buyout Amount Tendered on or before: Section 2.02(d)(i) amount:

(e) A portion of the Earn-Out shall be paid on the tenth Business Day following the close of each calendar quarter during the Earn-Out period (each a "~~Payment Date~~") by wire transfer of immediately available funds to an account designated by Seller to Purchaser and the Company in writing until all amounts payable as a result of the Earn-Out have been paid in full. Prior to each Payment Date, the Company shall deliver a written notice to the Seller setting forth separately the switching fees and storage fees which accrued during the previous calendar quarter and a calculation of the amount payable to Seller as Switching Fee Earn-Out and Storage Fee Earn-Out on such Payment Date.

(f) Following each Payment Date, Purchaser shall cause the Company to provide Seller's independent accountants reasonable access to the management of the Company, and the financial records of the Company and any subsidiaries for the prior calendar quarter, for the sole purpose of verifying the amount of switching fees and storage fees earned by the Company and its subsidiaries and the determination of the amount of the Earn-Out payable with respect to such period.

Section 2.03 ~~338(h)(10) Election~~. With respect to the acquisition of the Shares hereunder, Purchaser shall make a timely election under Section 338(g) of the Code and Seller and Purchaser shall jointly make an election under Section 338(h)(10) of the Code (and any corresponding elections under state or local tax law) (collectively, a "~~Section 338(h)(10)~~").

Election"). Seller and Purchaser shall (i) take, and cooperate with each other to take, all actions necessary and appropriate (including filing such forms, returns, elections, schedules and other documents as may be required) to effect and preserve a timely Section 338(h)(10) Election in accordance with Section 338 of the Code or any successor provision promptly following the Closing Date, but not later than the date that is the last date for making such Section 338(h)(10) Election, and from time to time thereafter; and (ii) report the sale of the Shares pursuant to this Agreement consistent with the Section 338(h)(10) Election and shall take no position contrary thereto or inconsistent therewith in any tax return, any discussion with or proceeding before any tax authority, or otherwise. The fair market value of the assets of the Company for purposes of the Section 338(h)(10) Election shall be as stated in Disclosure Schedule 2.02.

ARTICLE 3 ADDITIONAL COVENANTS AND AGREEMENTS OF THE PARTIES

Section 3.01 **Service Agreement.** At Closing, the Parties shall sign and deliver a Service Agreement between Seller and Company, substantially in the form of Exhibit B hereto (the "***Service Agreement***").

Section 3.02 **Security Agreement.** At Closing, Purchaser shall sign and deliver, and shall cause the Company to sign and deliver, to Seller a Security Agreement to secure all amounts payable under the Earn-Out, substantially in the form of Exhibit C hereto (the "***Security Agreement***").

Section 3.03 **Assignment By Purchaser.** Notwithstanding the provisions of Section 10.07, Purchaser may assign this Agreement before Closing to a corporation or other limited liability entity (the "***Purchasing Entity***") provided that:

A. The Purchasing Entity: (1) in the reasonable judgment of Seller, is validly existing and duly organized under the laws of the state in which it is formed, and has the power and authority to perform the obligations of Purchaser under this Agreement; (2) is wholly owned by Purchaser; and (3) first executes and delivers to Seller a written agreement, in form satisfactory to Seller, by which the Purchasing Entity unconditionally affirms and assumes all of Purchaser's warranties, obligations and liabilities to Seller under this Agreement.

B. At Closing, Purchaser signs and delivers to Seller a guaranty, substantially in the form of Exhibit D hereto (the "***Operating Guaranty***"), guaranteeing to Seller the full payment and timely performance by the Purchasing Entity of each of its obligations under this Agreement and the Service Agreement.

Section 3.04 **Certain Asset Transfers.** Purchaser acknowledges that Company intends to transfer to Seller before the Closing certain rights to its assets, as described in Disclosure Schedule 3.04, and Purchaser agrees to proceed with the Closing notwithstanding that such transfers have been effected as of Closing provided that such transfers are made on the terms and conditions described in Disclosure Schedule 3.04.

ARTICLE 4
REPRESENTATIONS AND WARRANTIES OF SELLER

Seller hereby represents and warrants to Purchaser as follows:

Section 4.01 Organization and Good Standing.

A. Seller is a limited liability company duly organized, validly existing and in good standing under the laws of the State of Delaware.

B. Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Idaho. Company has the full corporate power and authority to own, lease and operate its properties and assets, to carry on its businesses as presently conducted, and to perform its obligations under all applicable Contracts, except where the failure to have such power and authority would not reasonably be expected to result in a Company Material Adverse Effect.

Section 4.02 Consents, Authorizations and Conflicts.

A. **Consents Generally.** Neither the execution and delivery by Seller of this Agreement or of any of the other Seller Documents, nor the performance by Seller of its obligations hereunder and thereunder, requires any material Consent or the giving of any material Notice applicable to Seller (as opposed to Purchaser), except for (i) the approval or exemption of the STB as provided in Section 6.03B. and (ii) such Consents and Notices that:

(a) are listed in Disclosure Schedule 4.02; and

(b) (i) have been or will be obtained or given on or before, and remain in full force and effect as of the Closing Date, or (ii) if not so obtained or given, would not reasonably be expected to result in a Company Material Adverse Effect.

B. **Seller Consents.** Set forth in Disclosure Schedule 4.02 is a complete and accurate list of all material Consents of, or material filings with or Notices to, any Person or Governmental Body (other than the STB), required in connection with the Seller's valid execution, delivery and performance of this Agreement and the Seller Documents and the consummation of the transaction contemplated hereby and thereby, including any material Consents or material Notices required in connection with the Permits listed in Disclosure Schedule 4.08 and the Contracts listed in Disclosure Schedule 4.13 (collectively, the "**Seller Consents**").

C. **Authorization.** This Agreement has been duly authorized, executed and delivered by Seller and constitutes the legal, valid and binding obligation of Seller enforceable against Seller in accordance with its terms, except as such enforceability may be limited by bankruptcy, reorganization, insolvency, fraudulent conveyance or similar laws of general application relating to or affecting the enforcement of creditors' rights (the "**Equitable Exceptions**"). At the Closing, each other Seller Document shall be duly authorized, executed and delivered by Seller, and shall constitute the legal, valid and binding obligation of Seller, enforceable against Seller in accordance with its terms, except as such enforceability may be limited by the Equitable Exceptions.

D. No Conflicts. The execution and delivery by Seller of this Agreement and the other Seller Documents, and the performance by Seller of its obligations hereunder and thereunder, does not and will not contravene, conflict or be inconsistent with, result in a breach of, constitute a violation of or default under, or require or result in any right of acceleration or create or impose any Lien under (all or any of the foregoing a "breach"); (i) Seller's Limited Liability Company Agreement or the certificate of incorporation or by-laws, as amended to date, of the Company; (ii) any Law applicable or relating to Seller or the Company or any of the businesses, assets or properties of Seller or the Company; or (iii) any Contract or Permit, *except* with respect to clauses (ii) and (iii), for such breaches, violations, defaults, accelerations or Liens as would not, alone or in the aggregate, be reasonably expected to have a Company Material Adverse Effect.

Section 4.03 Minute and Stock Transfer Books. Seller has made available to Purchaser the original or true copies of the minute books and stock transfer records of the Company that are in the possession of Seller.

Section 4.04 Financial Statements.

A. Preparation of Financial Statements. The financial statements, which are included as part of Disclosure Schedule 4.04 (the "*Financial Statements*"), present fairly, in all material respects, the financial condition and the results of operations of the Company as at the respective dates of and for the periods referred to in such Financial Statements, each in a manner that is consistent with the historical financial accounting and reporting practices of the Company.

B. Balance Sheet Indebtedness. At December 31, 2009 (the "*Balance Sheet Date*"), the Company had no indebtedness or liabilities required to be included on a balance sheet which are not included in its balance sheet at and as of such date (the "*Balance Sheet*") included as part of Disclosure Schedule 4.04. Since the Balance Sheet Date, the Company has not incurred any indebtedness or liabilities of the type required to be included on a balance sheet except for such indebtedness or liabilities incurred by Company in the Ordinary Course of Business.

Section 4.05 Title, and Nature of Tangible Assets.

A. Real Property and Tangible Personal Property. Set forth in the Disclosure Schedule 4.05A is a list of all real property ("*Real Property*") and material tangible personal property and fixtures ("*Tangible Personal Property*") owned or leased by Company as of the Agreement Date having, as applicable, a purchase cost of _____ or more or a fair market value (at lease inception) of _____ or more. Company has good and marketable title to, or a valid leasehold interest in, its respective Tangible Personal Property free and clear of all Liens other than Permitted Exceptions. Set forth on Disclosure Schedule 4.05A is a list of all real property leases or subleases affecting any of the Real Property, and all equipment or other personal property leases or subleases affecting any of the Tangible Personal Property.

B. Condemnation or Eminent Domain Proceedings. Company has not received written notice of any pending or overtly threatened condemnation or eminent domain proceeding in respect of its Real Property or Tangible Personal Property which would reasonably be expected to result in a Company Material Adverse Effect.

Section 4.06 Intellectual Property Rights. Set forth in Disclosure Schedule 4.06 is a complete list of (i) all material Intellectual Property Rights owned, licensed or used by Company, and (ii) all license and other agreements with respect to any of the foregoing. Company owns or

has the right to use pursuant to license, sublicense, agreement or permission all such Intellectual Property Rights necessary for the operation of its businesses as presently conducted, except where the failure to own or possess rights in such Intellectual Property Rights would not reasonably be expected to result in a Company Material Adverse Effect. To the Knowledge of Seller, Company has not infringed upon or otherwise violated any Intellectual Property Rights of third parties; there are no existing or, to the Knowledge of Seller, overtly threatened claims against the Company by any Person claiming any adverse right of ownership or use of any of the Intellectual Property Rights, or that the Company is infringing any rights in or to the Intellectual Property Rights of any other Person. To the Knowledge of Seller, no third party has interfered with, infringed upon, misappropriated or otherwise come into conflict with any Intellectual Property Rights of the Company.

Section 4.07 Litigation. Except as set forth on Disclosure Schedule 4.07, there are no Governmental Body or private party actions, suits, claims, proceedings or investigations pending or, to the Knowledge of Seller, overtly threatened against the Company or Seller which has or would reasonably be expected to result in a Company Material Adverse Effect, and which (i) relate to the Company, the ownership or business of the Company, any of the Shares or any properties or assets currently owned, leased or operated by the Company, or (ii) which question or challenge Seller's right, title or interest in or to any of the Shares.

Section 4.08 Compliance. Company has obtained all Permits necessary to operate its business as currently conducted, except those the absence of which would not reasonably be expected to result in a Company Material Adverse Effect. Disclosure Schedule 4.08 contains a complete list of all material Permits held by or issued in favor of the Company as of the Agreement Date. To the Knowledge of Seller, except as set forth in Disclosure Schedule 4.08, there exists no default or violation by Company under any of its material Permits, which default or violation would reasonably be expected to result in a Company Material Adverse Effect.

Section 4.09 Taxes.

A. Tax Returns. Company has filed or caused to be filed all Tax Returns that it was required to file on or prior to the Agreement Date, and Company has paid or provided for all Income Taxes shown on its Income Tax Returns, except such Taxes as are listed in Disclosure Schedule 4.09 and which are being contested in good faith and as to which adequate reserves have been provided in the Balance Sheet, except where the failure to file Income Tax Returns or to pay Income Taxes would not reasonably be expected to result in a Company Material Adverse Effect.

B. Tax Assessments. Except as disclosed in the Balance Sheet or in Disclosure Schedule 4.09, there exists no material written proposed Tax assessment or to the Knowledge of Seller, no threatened material proposed Tax assessment against the Company.

C. Payment of Taxes. To the Knowledge of Seller, the Company has withheld and timely deposited or paid or accrued all Taxes required to have been withheld in connection with amounts paid or owing to any employee, independent contractor, or other third party.

D. Sales and Use Taxes. Company has been reported under Seller's Idaho sales and use tax permit which allows Company to be a self-assessor. Sales and use tax returns have been filed monthly for all prior periods and have been audited through 2001, with examination of the periods from 2002 through 2007 currently underway, and all presently identified deficiencies

have been paid. Seller shall be responsible for any sales and use tax liability for periods up to the Closing Date not provided for in the general ledger on the Closing Date.

Section 4.10 [Intentionally Omitted]

Section 4.11 Employees and Labor Relations. Seller has previously provided Purchaser with a complete list of all active employees of Company ("*Employees*"), which list sets forth the name, job title, date of hire, date of birth, annual compensation, wage or hourly rate and annual vacation days entitlement. Seller has provided or made available to Purchaser copies of all written employment contracts, consulting agreements and similar written arrangements to which the Company is a party. Except as disclosed in Disclosure Schedule 4.11, Company does not have any contract with any of its Employees which cannot be terminated without penalty payable to such Employee on thirty (30) days' notice. No Employee or former employee of Company will become entitled to any bonus, retirement, severance, job security or Other Benefit Obligation of the Company solely as a result of the transaction contemplated by this Agreement. Except as disclosed in Disclosure Schedule 4.11, no Employee of the Company is covered by any collective bargaining agreement or is a party to any Contract with the Company. Except where the failure to comply would not reasonably be expected, individually or in the aggregate, to result in a Company Material Adverse Effect, Company is in compliance with all Laws relating to the employment of labor, including those relating to wages, hours, unfair labor practices, discrimination and payment of social security and similar Taxes. Set forth in Disclosure Schedule 4.11 are all complaints against the Company pending or, to the knowledge of Seller, threatened before the National Labor Relations Board, the Equal Employment Opportunity Commission or any similar state or local labor or employment discrimination agency by or on behalf of any Employee.

Section 4.12 Environmental Matters. Except as set forth in Disclosure Schedule 4.12:

A. Compliance with Environmental Laws. To the knowledge of Seller, Company is in compliance with, and is not in violation of or liable under, any Environmental Law, except for such noncompliance, violation or liability which would not reasonably be expected to result in a Company Material Adverse Effect.

B. CERCLIS and CERCLA. Neither Seller nor Company has received any written notice that any of the Company's Real Property has been identified on any current or proposed (i) National Priorities List under 40 C.F.R. § 300, (ii) CERCLIS list or (iii) any list arising from a state or local law similar to CERCLA.

C. Environmental, Health and Safety Liabilities. Neither Seller nor Company has received any written notice of any claims or Liens against the Company resulting from any Environmental, Health and Safety Liabilities or arising under or pursuant to any Environmental Law, with respect to or affecting properties and assets (whether real, personal or mixed) in which Company has an interest.

Section 4.13 Contracts. Set forth in Disclosure Schedule 4.13 is a complete list of all Contracts over _____ to which Company is a party (collectively, the "*Material Contracts*"), except for: (a) routine purchase orders or invoices; (b) employment and other contracts terminable at will or on thirty (30) days' (or less) notice without penalty; (c) any Contract listed on any other of the Disclosure Schedules; and (d) any other Contract involving liabilities or obligations for future payments by Company of not more than _____. Seller has heretofore

delivered or made available to Purchaser true and complete copies of all such Material Contracts. Except as may be indicated in Disclosure Schedule 4.13, all such Material Contracts are in full force and effect in accordance with the terms thereof (except to the extent that any courses of dealing have effected deviations therefrom, none of which are materially adverse to Company), and there are no outstanding defaults by Company or, to the Knowledge of Seller, any other party under any such Material Contracts which would reasonably be expected to result in a Company Material Adverse Effect.

Section 4.14. **Absence of Certain Changes.** Since the Balance Sheet Date, except as otherwise expressly contemplated by this Agreement, or as set forth in Disclosure Schedule 4.14, Company has conducted its business and operations in the Ordinary Course of Business and, except as consistent with recent past practice, has not:

- (i) issued or sold any shares of its capital stock or debt securities or partnership interests, or granted any rights calling for the issuance or sale of any of the foregoing (including options, warrants, convertible or exchangeable securities or similar rights);
- (ii) amended its articles of incorporation or by-laws;
- (iii) to the Knowledge of Seller, granted any right to severance or termination payment to any of its officers, directors or employees other than in the Ordinary Course of Business;
- (iv) to the Knowledge of Seller, incurred any damage to or destruction or loss of any property or assets, whether or not covered by insurance, which would reasonably be expected to result in a Company Material Adverse Effect;
- (v) to the Knowledge of Seller, entered into, terminated or received notice of termination of any Material Contract that is or was of a nature required to be disclosed in Disclosure Schedule 4.13;
- (vi) made any material change in its accounting methods;
- (vii) to the Knowledge of Seller, entered into, amended, or terminated any employment agreement with any Employee, except in the Ordinary Course of Business; entered into, amended, or terminated any agreement with a labor union or association representing any Employee; adopted, entered into, or amended any Company Plan or Other Benefit Obligation which materially affects its business; or other than in the Ordinary Course of Business, made any wage or salary increase, bonus, or increased any other direct or indirect compensation, for or to any of its Employees, or any accrual for or commitment or agreement to make or pay the same;
- (viii) to the Knowledge of Seller, other than in the Ordinary Course of Business, entered into any lease (as lessor or lessee); sold, abandoned, or made any other disposition of any of its assets or properties except for assets sold in the Ordinary Course of Business; other than in the Ordinary Course of Business, granted any Lien on any of its assets or properties; incurred or assumed any debt, obligation, or liability (whether absolute or contingent or whether or not currently due and payable) except for liabilities incurred in the Ordinary Course of Business; or paid, directly or indirectly, any of its material liabilities otherwise than in the Ordinary Course of Business;

(ix) except for equipment and other fixed assets and supplies acquired in the Ordinary Course of Business, made any acquisition of all or any part of the assets, properties, capital stock, or business of any other Person;

(x) to the Knowledge of Seller, transferred, granted or licensed any rights under, or permitted to lapse, any Intellectual Property Rights other than in the Ordinary Course of Business;

(xi) guaranteed, indemnified or otherwise become liable for the obligations or liabilities of another Person except in the Ordinary Course of Business; or

(xii) agreed or committed in writing to do any of the foregoing.

Section 4.15 Equity Interests. Company does not have an equity or ownership interest in any other entity.

Section 4.16 Capitalization and Title to Shares. The authorized capital stock of Company consists of one million (1,000,000) Shares of Common Stock, of which fifty thousand (50,000) Shares are issued and outstanding and held beneficially and of record by Seller. All of the Shares have been duly authorized and are validly issued, fully paid and nonassessable, and no personal liability attaches to the ownership thereof. Seller is the lawful record and beneficial owner of the Shares, all of which are free and clear of all Liens other than restrictions on transfer imposed by federal and state securities laws and the liens identified in Company Disclosure Schedule 4.16, which liens shall be discharged by Seller prior to the Closing Date. Seller has all requisite right, title, power and authority to sell, assign, transfer and deliver the Shares to Purchaser. Except as set forth in Disclosure Schedule 4.16, there are no:

(i) proxies, voting trusts or other agreements or understandings with respect to the voting of any of the shares of capital stock or other equity interests of Company;

(ii) securities convertible into or exchangeable for any shares of capital stock of Company;

(iii) options, warrants or other rights to purchase or subscribe for any shares of capital stock of Company, or for securities convertible into or exchangeable for any shares of capital stock of Company;

(iv) plans, agreements or commitments of any kind or description relating to the issuance or purchase of any shares of capital stock of Company, any such convertible or exchangeable securities or any such options, warrants or other rights; or

(v) agreements or commitments of any kind or description which would obligate Company to issue or purchase or otherwise acquire any of its securities.

Section 4.17 Bank Accounts. Set forth in Disclosure Schedule 4.17 is a complete list of the names and locations of all banks, brokers, depositories and other financial institutions in which Company has an account or safe deposit box, including all relevant account titles, account numbers and the identity of persons authorized to withdraw funds (or other items) therefrom.

Section 4.18 Insurance.

A. Policy Information. Set forth in Disclosure Schedule 4.18 is the following information with respect to each material insurance policy for any policy period commencing on or after January 1, 2009, with respect to which Company is a named insured or otherwise the beneficiary of coverage (each, a "**Policy**"): (i) the name of the insurer; (ii) the name, address and telephone number of the agent; (iii) the policy number and period of coverage; (iv) policy type, (i.e., whether coverage is on a claims made or occurrence basis) and amount of coverage and deductibles; and (v) a description of each claim to which Company is a party, currently pending under any Policy. Seller's ultimate parent company, Potlatch Corporation ("**Potlatch**"), or a Potlatch Affiliate, is the policyholder under each Policy, and Potlatch or its Affiliate shall continue to own all such Policies after the Closing Date. Nothing contained herein shall be construed to be an attempted transfer of or a change to any part of the ownership of the Policies. Purchaser shall be responsible for procuring its own insurance coverage for the Company from and after the Closing Date.

Section 4.19 Guaranties. Company is not a guarantor or otherwise liable for any Liability or obligation (including indebtedness) of any other Person.

Section 4.20 Full Disclosure. The representations and warranties contained in this Article 4 do not contain any untrue statement of a material fact.

Section 4.21 No Other Representations and Warranties by Seller. EXCEPT FOR THE REPRESENTATIONS AND WARRANTIES SET FORTH IN THIS ARTICLE 4 (AS SUCH REPRESENTATIONS AND WARRANTIES ARE MODIFIED OR LIMITED BY THE DISCLOSURE SCHEDULES), PURCHASER IS ACQUIRING THE COMPANY AND THE SHARES "AS IS" AND "WHERE IS", AND SELLER MAKES NO OTHER REPRESENTATIONS AND WARRANTIES, EXPRESS OR IMPLIED, TO PURCHASER (OR ANY OTHER PERSON) WITH RESPECT TO THE SHARES OR THE COMPANY, OR ITS PROPERTIES AND ASSETS, INCLUDING WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE. Without limiting the generality of the foregoing, and notwithstanding any other express representations and warranties made by Seller in this Article 4 (or elsewhere in this Agreement or in any certificate or document delivered pursuant hereto), Seller makes no representation or warranty to Purchaser (or any other Person) with respect to:

(i) any projections, estimates or budgets heretofore delivered to or made available with respect to future revenues, expenses or expenditures, future results of operations (or any component thereof), future cash flows or future financial condition (or any component thereof) of the Company or the future businesses and operations of the Company;

(ii) any continued business relationship with current vendors, customers or joint facility partners of Company on or after the Closing Date;

(iii) any other information or documents made available with respect to Company or the businesses and operations of Company, except as expressly covered by a representation and warranty contained in this Article 4; or

(iv) the physical condition of the Company's (a) main lines, branches, sides, spurs, switching and yard tracks, including any affixed bridges, trestles and culverts; (b)

rails, ties, switches, crossings, plates and other track materials; (b) signals; crossing protection devices and communication lines; and (c) locomotives, cars, and maintenance and other equipment.

Section 4.22 **"To the Knowledge of, etc."** For all purposes of this Agreement, any use of the phrases "to the Knowledge of Seller," or "to Seller's Knowledge," and words of similar import, when modifying any particular representation or warranty set forth herein or in any other Seller Document, shall mean that the following persons have no actual knowledge that such representation and warranty is not complete and correct, without the requirement of any due diligence: Bill Barnhart, James Hancock, Marc Mendenhall, and Tom Temple.

ARTICLE 5 REPRESENTATIONS AND WARRANTIES OF PURCHASER

Purchaser represents and warrants to Seller as follows:

Section 5.01 **Organization and Good Standing** Purchaser has the full power and authority to own, lease and operate its properties and assets, to carry on its businesses as presently conducted, and to perform its obligations under all applicable contracts, except where the failure to have such power and authority would not reasonably be expected to result in a Purchaser Material Adverse Effect.

Section 5.02 Consents, Authorizations and Conflicts

A. **Consents**. Neither the execution and delivery by Purchaser of this Agreement or any of the other Purchaser Documents to which it is a party, nor the performance by Purchaser of its obligations thereunder, require any Consent or the giving of any Notice applicable to Purchaser (as opposed to Seller) (including Consents and Notices necessary or required under or with respect to any contract or license of Purchaser or any subsidiary thereof), other than the approval or exemption of the STB, as provided in Section 6.03.B of this Agreement.

B. **Authorization**. This Agreement has been duly authorized, executed and delivered by Purchaser and constitutes the legal, valid and binding obligation of Purchaser enforceable against Purchaser in accordance with its terms, except as such enforceability may be limited by the Equitable Exceptions. At the Closing, each other Purchaser Document shall be duly authorized, executed and delivered by Purchaser, and shall constitute the legal, valid and binding obligation of Purchaser, enforceable against Purchaser in accordance with its terms, except as such enforceability may be limited by the Equitable Exceptions.

C. **No Conflicts**. The execution and delivery by Purchaser of this Agreement and the other Purchaser Documents, and the performance by Purchaser of its obligations hereunder and thereunder, does not and will not contravene, conflict or be inconsistent with, result in a breach of, or constitute a violation of or default under: (i) any Law applicable or relating to Purchaser or (ii) any contract or permit of Purchaser or any subsidiary or other Affiliate thereof, *except* for such breaches, violations or defaults as would not, alone or in the aggregate, be reasonably expected to have a Purchaser Material Adverse Effect.

Section 5.03 **Litigation**. Except as heretofore disclosed to Seller in writing, there are no Governmental Body or private party actions, suits, claims, proceedings, or investigations, pending or, to the Knowledge of Purchaser, overtly threatened against Purchaser or any Affiliate thereof which would reasonably be expected to result in a Purchaser Material Adverse Effect.

Section 5.04 Financial Ability. Purchaser has, or has received binding commitments for, sufficient funds to close the Purchase and Sale contemplated by this Agreement.

Section 5.05 Due Diligence. Purchaser has received and reviewed such information as it considers necessary or appropriate concerning the Company and the transaction contemplated by this Agreement. Purchaser has had an opportunity to ask questions and receive answers from the Company and Seller and their respective management personnel regarding the terms and conditions of the Purchase and Sale and regarding the business, financial affairs, and other aspects of the Company, and has further had the opportunity to obtain all information (to the extent Seller or the Company possess or can acquire such information without unreasonable effort or expense) which Purchaser deems necessary or appropriate to evaluate the Purchase and Sale contemplated by this Agreement and to verify the accuracy of information otherwise provided to Purchaser. Without limiting the generality of the foregoing, Purchaser has had an opportunity to (i) examine the Company's reciprocal switching, trackage rights and joint facility agreements, and the Company's rate agreements or contracts; (ii) inspect the Company's locomotives, cars and maintenance and other equipment; and (iii) examine any available valuations, maps and track charts of the Company in the possession of Seller and to inspect the railroad lines of the Company. During its review of the due diligence materials provided by Seller, and during the foregoing examinations and inspections, Purchaser did not become aware of any fact or condition that is materially inconsistent with any representation or warranty made by Seller herein. No oral or written statement, representation and warranty or inducement which is contrary to or inconsistent with the representations and warranties of Seller contained in this Agreement have been made by or on behalf of Seller or the Company to Purchaser.

Section 5.06 No Violation of Law. Purchaser is not in violation of, and has not been given notice or been charged with any violation of, any Law, except for such violations, notices or charges that would not reasonably be expected to, individually or in the aggregate, result in a Purchaser Material Adverse Effect. Except as heretofore disclosed by Purchaser in writing to Seller, and except as would not reasonably be expected to, individually or in the aggregate, result in a Purchaser Material Adverse Effect, no investigation or review by any Governmental Body with respect to or affecting Purchaser is pending or, to the knowledge of Purchaser, threatened.

Section 5.07 Accredited Investor. Purchaser is an "accredited investor" as defined in Rule 501 of Regulation D promulgated by the Securities and Exchange Commission.

Section 5.08 "To the Knowledge of, etc." For all purposes of this Agreement, any use of the phrases "to the Knowledge of Purchaser" or "to Purchaser's Knowledge," and words of similar import, when modifying any particular representation or warranty set forth herein or in any other Purchaser Document, shall mean that the following person has no actual knowledge that such representation and warranty is not complete and correct, without the requirement of any due diligence: Michael Williams.

ARTICLE 6

CONDUCT AND TRANSACTIONS PRIOR TO CLOSING; AFTER CLOSING

Section 6.01 Access to Records and Properties of the Company. Seller shall give Purchaser and Purchaser's counsel, accountants, lenders and their respective employees, agents and representatives such access to (during normal business hours), and opportunity to examine, the books, records, files, documents, properties and assets of the Company, and cause the officers, directors, Employees, agents, representatives, legal counsel, accountants, auditors and actuaries of the Company to furnish such financial and operating data and other information with respect to

the Company, as Purchaser shall from time to time reasonably request. Any investigation pursuant to this Section 6.01 shall be conducted in such manner as not to interfere unreasonably with the Ordinary Course of Business and operations of the Company or with the confidentiality respecting the transaction contemplated by this Agreement.

Section 6.02 Operation of the Company: From the Agreement Date to the Closing Date, except as otherwise provided in this Agreement or the Disclosure Schedules, or to the extent that Purchaser shall consent in writing, the Company shall operate its businesses in such a manner as would be in the Ordinary Course of Business. Without limiting the generality of the foregoing, Company shall:

- (i) not merge or consolidate with any other entity, acquire any other business or entity, or agree to do any of the foregoing;
- (ii) notify Purchaser of any significant loss of, damage to or destruction of any of its material properties or assets;
- (iii) maintain in full force and effect all present insurance coverages and apply the proceeds received under any such coverages as a result of any loss of, damage to or destruction of any of its properties or assets to the repair, restoration or replacement thereof;
- (iv) pay or otherwise satisfy or discharge all obligations of the Company to third parties arising from the furnishing of labor, materials, equipment, or services for the maintenance or repair of any bridge owned by the Company; and
- (iv) use its commercially reasonable efforts to preserve its reputation and business relationships with Persons having business dealings with it.

Section 6.03 Consents and Approvals.

A: General. Promptly after the date hereof, the Parties hereto shall use their respective commercially reasonable efforts to obtain all Consents and give all Notices which may be necessary in order to consummate the Purchase and Sale contemplated hereby in accordance with the terms hereof. The Parties hereto shall otherwise cooperate with each other in discharging their respective obligations under this Section 6.03.A, and shall promptly advise the other Party hereto of any difficulties encountered in obtaining any such Consents or giving any such Notices.

B: STB Approval. Consistent with the provisions of Section 6.03.A above, Purchaser shall promptly, but no later than five (5) Business Days after the Parties' execution of this Agreement, at its sole cost and expense, file with the STB a Notice of Exemption for Purchaser to acquire the stock of and to operate Company, pursuant to 49 C.F.R. 1180.2(d)(2). Seller shall cooperate with Purchaser in preparing its filings with the STB, and Purchaser shall afford Seller the opportunity to review and comment on the draft pleadings a reasonable time in advance of their being filed with the STB.

Section 6.04: Accounting Records. Seller shall provide to Purchaser within sixty (60) days after the Closing Date copies of accounting records and documents related to the financial statements of the Company that are not kept or maintained at the operating offices of the Company, including but not limited to detailed accounting schedules that support the accounts.

receivable, accounts payable and accrued liabilities balances for the Company as of the Balance Sheet Date and as of the Closing.

Section 6.05 Efforts to Satisfy Conditions. Except as otherwise provided in this Agreement, each Party shall use its commercially reasonable efforts to cause the conditions to the Closing set forth in Article 7 hereof to be satisfied, to the extent that the satisfaction of such conditions is in the control of such Party, as soon as practicable after the date hereof; *provided, however*, the foregoing shall not constitute a limitation upon the covenants and obligations of either Party otherwise expressly set forth in this Agreement.

Section 6.06 Intracompany Indebtedness. On or before the Closing, any indebtedness owed to Company by Seller shall be treated as a dividend or a return of capital to Seller and shall be documented in the minutes of Company as such.

Section 6.07 Transfer Restrictions. From and after the date hereof and until the Closing Date, Seller shall not sell, assign, pledge, donate, transfer, encumber or otherwise dispose of any of the Shares.

Section 6.08 Confidential Information. Seller and Purchaser acknowledge a Confidentiality Agreement dated as of September 23, 2009, entered into between Seller and Railroad Materials Salvage, Inc., and agree that such Confidentiality Agreement remains in full force and effect and shall apply to Purchaser to the same extent as it applies to the parties to the Confidentiality Agreement. In addition, the Parties agree to the following provisions regarding confidentiality of information:

A. Confidentiality if No Closing Occurs. In the event the Closing shall not occur, Purchaser and Purchaser's counsel, accountants, lenders and their respective employees, agents and representatives shall treat in confidence all confidential documents and materials and other confidential information which they shall have obtained regarding the Company or Seller or any Affiliate thereof during the course of the negotiations leading to the transaction contemplated hereby, the investigation of the Company and the preparation of this Agreement, and shall return or destroy all copies (including computer files) of nonpublic confidential documents and materials that have been furnished in connection therewith or that contain or incorporate any of the foregoing. However, nothing contained herein shall prohibit Purchaser or any such other person or entity from (subject to the provisions of Section 6.03.B and Section 10.13) supplying or filing such documents, materials or other information with the STB or other such Governmental Body that Purchaser deems necessary or appropriate in connection with the Purchase and Sale contemplated hereby.

B. Confidentiality if Closing Occurs. In the event the Closing shall occur, Seller and Seller's counsel, accountants, lenders and their respective employees, agents and representatives shall (i) treat in confidence all confidential documents and materials and other confidential information which they shall have obtained regarding the Company, and (ii) treat in confidence all confidential documents and materials and other confidential information which they shall have obtained regarding the Purchaser or any Affiliate thereof, if obtained during the course of the negotiations leading to the transaction contemplated hereby or the preparation of this Agreement, and shall return or destroy all copies (including computer files) of nonpublic confidential documents and materials regarding Purchaser that have been furnished in connection therewith or that contain or incorporate nonpublic confidential documents and materials regarding Purchaser. However, nothing contained herein shall prohibit Seller or any such other person or entity from (subject to the provisions of Section 6.08 and Section 10.13) supplying or filing such

documents, materials or other information with the STB or other Governmental Body that Seller deems necessary or appropriate in connection with the Purchase and Sale contemplated hereby.

Section 6.09 Tax Returns and Payments.

A. Income Taxes and Returns. Seller files a consolidated federal income tax return ("**Income Tax Return**") that includes the Company. Seller shall be responsible for including all items of income, gain, loss, deduction or credit of the Company for the tax period beginning January 1, 2009 through the date immediately preceding the Closing Date (herein referred to as the "**Seller Income Tax Periods**"); and Seller shall be responsible for and shall pay all Income Taxes payable as a consequence of the inclusion or omission of such items in the consolidated Income Tax Returns, reports and filings of Seller for Seller Income Tax Periods and shall timely file such Income Tax Returns, forms and reports, including those required under Section 2.03. All tax attributes, including but not limited to net operating losses, credits, capital losses, state and local tax losses and credits, earned or incurred through the date immediately preceding the Closing Date shall remain with Seller.

B. Information to be Provided by Purchaser. With respect to the Seller Income Tax Period between the end of the most recent taxable period of the Company and the date immediately preceding the Closing Date, Purchaser shall provide to Seller (to the extent not already provided); within fifteen (15) days after it shall have been requested by Seller, information required to compute separate taxable income and other relevant measures of income of the Company.

C. Straddle Period Returns. The Company or the Purchaser shall timely pay or accrue all Taxes for the periods to which the Straddle Period Returns relate as provided in Sections 6.09.A and 6.09.B. Any such liabilities for Taxes based on payroll shall include both Taxes withheld and Taxes accrued (and remaining unpaid) attributable to any period prior to the Closing Date, and any and all liabilities with respect to such Taxes shall be the sole responsibility of the Company. Any liabilities for Sales and Use Taxes (remaining unpaid) shall be accrued for all sales or purchases attributable to any period prior to the Closing Date, and shall be the sole responsibility of the Company. Taxes on Real Property or personal property for taxable periods beginning before and ending after the Closing Date shall be the sole responsibility of the Company.

Section 6.10 Cooperation. After the Closing Date, Purchaser and Seller shall (i) make available to each other, as reasonably requested, and to any taxing authority or any accountant or other authorized employee representative, all information, records or documents, (a) relating to Tax liabilities or potential Tax liabilities of the Company for all periods prior to the Closing Date, and (b) reasonably necessary in order to prepare consolidated financial statements for any period prior to the Closing Date, and (ii) preserve all such information, records and documents until the expiration of any applicable statute of limitations (including extensions thereof). From and after the Closing Date, except as required by Law, Purchaser shall not take any action with respect to Taxes or Tax Returns which would result in any liability, payment or obligation of Seller in respect of any Taxes owing by the Company with respect to any pre-Closing Date periods under this Agreement or otherwise, without the prior written consent of Seller. From and after the Closing Date, Purchaser shall promptly notify Seller in writing of any notice, inquiry, audit, examination or other fact that would result in any liability, payment or obligation of Seller in respect of any Taxes owing by the Company under this Agreement or otherwise. Seller shall be responsible for any assessment of Tax for periods up to the Closing Date and shall control any audit or assessment process, but shall provide notice to, and obtain

input from, Purchaser prior to any agreement or decision to pay or contest such Tax assessment. Purchaser shall not extend the statute of limitations for assessment of any Tax for periods prior to the Closing Date without the prior written consent of Seller. Notwithstanding any other provisions hereof, each Party shall bear its own expenses in complying with the foregoing provisions.

Section 6.11 Company Plans. Seller shall take any and all actions necessary or appropriate to cause the Company to cease to be a participating employer or participating sponsor of those Company Plans and Other Benefit Obligations of the Company that are maintained by Seller or its Affiliates, effective as of the Closing Date. Benefits accrued by and payable to Employees of Company under such Company Plans and Other Benefit Obligations of the Company through the date immediately preceding the Closing Date (other than accrued vacation for Employees) shall be paid to such Employees or otherwise distributed in accordance with the applicable terms of the Company Plans and Other Benefit Obligations of the Company.

Section 6.12

A. General Operations. Throughout such twenty-year period, and for so long as the Service Agreement remains in effect between Seller and the Company, Purchaser and its Affiliates: (i) will use their best efforts to assure that the provisions of the Service Agreement are observed by the Company after the Closing; (ii) shall not, and shall not allow the Company to, convey by sale, lease or otherwise all or any part of the railroad lines heretofore operated by the Company unless the selling entity secures the buyer's or lessee's agreement to be bound by such Service Agreement and this Section 6.12, as applicable; (iii) shall not, and shall not allow the Company to, seek the authority of the STB to discontinue operations on, or abandon, the St. Maries to Plummer portion of the Company's railroad lines heretofore operated by the Company.

B. Car Storage on Bovill Line. For so long as any portion of the Storage Fee Earn-Out remains payable to Seller, and notwithstanding the Company's filing of a petition to abandon as contemplated by subsection C of this Section 6.12, Purchaser or its Affiliates shall, and shall cause the Company to, maintain either (a) 35 miles of track on the St. Maries to Bovill portion of the Company's railroad lines for the purpose of car storage, or (b) 17.5 miles of track on such portion for the purpose of car storage; provided that the Storage Fee Earn-Out shall be modified such that Purchaser will pay Seller 100% of all storage revenue effective from and after the first date when less than 35 miles of such track are maintained for such purpose. For clarification, the St. Maries to Bovill portion of the Company's railroad lines (the "**Bovill Line**") begins at the point west of St. Maries shown on Exhibit E hereto, and continues along the Company's right-of-way south and west of St. Maries to the vicinity of Bovill, Idaho.

C. Abandonment of Bovill Line; Seller's Option to Purchase Certain Structures. Purchaser or its Affiliates shall cause the Company to file a petition with the STB for authority to abandon the Bovill Line no later than the sixth anniversary of the Effective Date of this Agreement, and shall diligently seek the STB's consent to abandonment pursuant to such petition and, upon the granting of such petition, shall exercise all commercially reasonable efforts to remove and salvage all tracks and ties on the Bovill Line; provided, however, that Purchaser and its Affiliates shall not, and shall not permit the Company to, file any such petition, or otherwise remove, salvage, discontinue operations on, or abandon any part of the Bovill Line without first providing Seller notice and a reasonable opportunity to file railbanking or public use condition requests with the STB as contemplated by 16 USC §1247(d). After the filing of such

abandonment petition, and before the Company consummates the abandonment of, removes any part of, or conducts any salvage operations on the Bovill Line, Purchaser or its Affiliates shall cause the Company to sell to Seller, at Seller's election, all crossings, trestles, bridges, and similar structures on the Bovill Line for a price of _____ per structure, in their then-existing, as-is condition at the time of sale.

D. Remedy for Non-Abandonment of Bovill Line. If the Company fails to petition for abandonment of the Bovill Line within the time allowed by subsection C, above, then, within thirty days following Seller's written request, Purchaser or its Affiliates shall cause the Company to appoint, and the Company does hereby appoint, Seller or Seller's designee as the Company's agent and attorney in fact, to act for and in behalf of the Company and at the Company's expense: (a) to execute, file, and prosecute all applications and petitions required to effect the abandonment of the Bovill line; (b) to remove and salvage all tracks and ties on the Bovill Line, remitting to the Company all proceeds of such salvage net of all reasonable expenses incurred by Seller or its designee in connection therewith (including reasonable attorney's fees, the costs of dispute resolution (if any), and all expenses of proceedings before the STB); (c) to convey to Seller the Company's rights in trestles, bridges, crossings and similar structures as contemplated by subsection C of this Section 6.12; and (d) to do all other lawfully permitted acts to further the prosecution and issuance of such applications, remove such materials, and convey such structures with the same legal force and effect as if executed or done by the Company.

Section 6.13 Employees.

Section 6.14. Resignations. Seller shall cause the persons listed on Disclosure Schedule 6.14 to resign as directors of the Company as of the Closing Date and shall provide the written resignation of each such director to Purchaser at the Closing.

ARTICLE 7 CONDITIONS OF CLOSING

Section 7.01 Conditions to Obligations of Purchaser. The obligations of Purchaser to consummate the Purchase and Sale contemplated hereby are subject to the satisfaction of the following conditions, each of which may be waived in writing by Purchaser.

A. Representations and Warranties; Performance of Obligations. The representations and warranties of Seller set forth in Article 4 hereof or in any Seller Document shall be true and correct in all material respects on the Closing as though made on and as of the Closing, except insofar as any such representations and warranties refer to a particular date or period, in which case they shall be true and correct in all material respects on the Closing with respect to such date or period. Seller shall have performed the agreements and obligations required to be performed by it under this Agreement prior to the Closing in all material respects. Seller shall have executed and delivered to Purchaser a certificate or certificates certifying to its compliance with the foregoing, in form and substance reasonably satisfactory to Purchaser. Notwithstanding the first sentence of this Section 7.01.A: (i) from time to time on or prior to the Closing, Seller shall be permitted to deliver to Purchaser information which changes, modifies or supplements the representations and warranties set forth in Article 4 or the Disclosure Schedules because of the occurrence or nonoccurrence of any event, or any circumstance arising, after the Agreement Date; (ii) upon such delivery, such representations and warranties (or Disclosure

Schedules) shall be deemed to be amended by such information; and (iii) if any such event or circumstance results in a Company Material Adverse Effect, then the condition stated in the first sentence of this Section 7.01.A shall be deemed not to have been satisfied, and Purchaser may terminate this Agreement pursuant to Section 8.02.B. If prior to the Closing, Purchaser discovers or otherwise has knowledge of any breach of any representation and warranty of Seller of which Seller is unaware, Purchaser shall notify Seller of such breach and, if such breach would result in a Company Material Adverse Effect that is not curable within twenty (20) Business Days and is not then cured within such period, then the condition stated in the first sentence of this Section 7.01.A shall be deemed not to have been satisfied, and Purchaser may terminate this Agreement pursuant to Section 8.02.B. If, notwithstanding (x) any failure of such condition as provided in clause (iii) of the foregoing sentence, or (y) any misrepresentation on the part of Seller as to which Purchaser has received notice or otherwise has actual knowledge prior to the Closing, Purchaser proceeds with the Closing, then such failure of such condition or such misrepresentation (as the case may be) shall be deemed for all purposes to be waived.

B. Consents and Notices. All Consents and Notices which are necessary in order to consummate the Purchase and Sale contemplated hereby in accordance with the terms hereof (the "**Required Consents**") shall have been obtained (in the case of Consents) or given (in the case of Notices) and shall be unconditional and in full force and effect. A list of the Required Consents is set forth on the Disclosure Schedule 7.01.B.

C. Legal Restraints. There shall not have been proposed or enacted any Law, or any change in any existing Law, which prohibits or delays the consummation of the Purchase and Sale which would reasonably be expected to have a Company Material Adverse Effect. No order, decree, judgment or ruling by any court or Governmental Body shall have been rendered or issued, and no action, suit, claim or proceeding shall have been commenced by any Governmental Body to restrain, enjoin or hinder, or to seek damages from Purchaser, any Affiliate thereof or the Company, on account of the consummation of the Purchase and Sale.

D. Release of Guarantees and Liens. The Company shall have been released from all liability under any guarantee of contracts or other obligations of Seller or any of its Affiliates (other than the Company), and any Liens (other than Permitted Exceptions) affecting the property or assets of the Company shall have been released and discharged on or prior to the Closing.

E. Share Certificates. Seller shall have delivered to Purchaser certificates representing the Shares, duly endorsed in blank or accompanied by a stock power covering such Shares duly executed in blank by Seller, and with all required stock transfer tax stamps affixed (if any).

F. Minute Books. The minute books and stock transfer records of the Company, and its corporate seals (if any) shall have been delivered to Purchaser.

G. Corporate Documents. Seller shall have delivered to Purchaser: (i) a certified copy of the articles of incorporation and by-laws of the Company; and (ii) a certified copy of resolutions of the board of directors of Seller authorizing the execution, delivery and performance of this Agreement and any other documents delivered by Seller hereunder.

H. Change of Ownership Approval. The approval of the STB for the Purchase, and Sale, or an exemption from the need to obtain such approval of the STB, shall have become effective.

I. **Seller Documents.** Seller or its Affiliates, as applicable, shall have signed and delivered to Purchaser the Seller Documents.

Section 7.02 **Conditions to Obligations of Seller.** The obligations of Seller to consummate the Purchase and Sale contemplated hereby are subject to the satisfaction of the following conditions, each of which may be waived in writing by Seller.

A. **Representations and Warranties; Performance of Obligations.** The representations and warranties of Purchaser set forth in Article 5 hereof or in any Purchaser Document shall be true and correct in all material respects on the Closing as though made on and as of the Closing except insofar as any such representations and warranties refer to a particular date or period, in which case they shall be true and correct in all material respects on the Closing with respect to such date or period. Purchaser shall have performed the agreements and obligations required to be performed by it under this Agreement prior to the Closing in all material respects. Purchaser shall have executed and delivered to Seller a certificate or certificates certifying to its compliance with the foregoing, in form and substance reasonably satisfactory to Seller.

B. **Consents and Notices.** All Required Consents shall have been obtained (in the case of Consents) or given (in the case of Notices) and shall be unconditional and in full force and effect.

C. **Legal Restraints.** There shall not have been proposed or enacted any Law, or any change in any existing Law, which prohibits or delays the consummation of the Purchase and Sale or which would reasonably be expected to have a Purchaser Material Adverse Effect. No order, decree, judgment or ruling by any court or Governmental Body shall have been rendered or issued, and no action, suit, claim or proceeding shall have been commenced by any Governmental Body to restrain, enjoin or hinder, or to seek damages from Seller, any Affiliate thereof or the Company on account of the consummation of the Purchase and Sale.

D. **Guarantees.** Seller and its Affiliates (other than the Company) shall have been released from all liability under any guarantee of contracts or other obligations of Company. Mike Williams shall have executed and delivered to Seller an Operating Guaranty in form and substance reasonably satisfactory to Seller.

E. **Purchase Price.** Seller shall have received the Purchase Price for the Shares from Purchaser in immediately available U.S. funds, by certified check or wire transfer to an account identified by Seller to Purchaser prior to the Closing.

F. **Receipt.** Purchaser shall have executed and delivered to Seller a written instrument, in form and substance reasonably satisfactory to Seller, acknowledging Purchaser's receipt of the certificates representing the Shares.

G. **Corporate Documents.** If this agreement has been assigned to a Purchasing Entity pursuant to Section 3.03, Purchaser shall have delivered to Seller a certified copy of resolutions of the board of directors or other similar governing body of Purchaser authorizing the execution, delivery and performance of this Agreement and any other document delivered by Purchaser hereunder.

H. **Change of Ownership Approval.** The approval of the STB for the Purchase and Sale, or an exemption from such approval by the STB, shall have become effective.

I. **Purchaser Documents.** Purchaser shall have signed and delivered to Seller the Purchaser Documents.

ARTICLE 8 CLOSING DATE AND TERMINATION

Section 8.01 **Closing.** The Closing shall take place at the offices of Potlatch Corporation, in Spokane, Washington, at 10:00 AM, local time, on the Closing Date, unless another place or time is agreed to by Purchaser and Seller.

Section 8.02 **Termination of Agreement.** This Agreement may, by written notice given prior to or at the Closing, be terminated:

A. **Material Breach.** By either Purchaser or the Seller if a material breach of any provision of this Agreement has been committed by the other Party and such breach has not been waived or cured within thirty (30) days after written notice of such breach by the other Party;

B. **Failure of Condition Precedent.** By Purchaser if satisfaction of any of the conditions in Section 7.01 is or becomes impossible (other than through the failure of the Purchaser to comply with its obligations under this Agreement) and Purchaser has not waived in writing such condition at or before the Closing; or by Seller, if satisfaction of any of the conditions in Section 7.02 is or becomes impossible (other than through the failure of Seller to comply with its obligations under this Agreement) and the Seller has not waived in writing such condition at or before the Closing;

C. **Mutual Consent.** By mutual written consent of Purchaser and Seller; or

D. **Termination Date.** By either Purchaser or Seller, upon notice to the other Party hereto, if the Closing shall not have occurred on or before May 28, 2010 (the "*Termination Date*"); *provided, however*, that: (i) Purchaser shall not be permitted to terminate this Agreement under this Section 8.02.D if the Closing shall not have occurred by the Termination Date by reason of the non-fulfillment by Purchaser of its conditions to close under Section 7.02; and (ii) Seller shall not be permitted to terminate this Agreement under this Section 8.02.D if the Closing shall not have occurred by the Termination Date by reason of the non-fulfillment by Seller of its conditions to close under Section 7.01.

Section 8.03 **Effect of Termination.** In the event of termination of this Agreement under Section 8.02, this Agreement, other than Sections 6.08, 8.03, and 9.06 and Sections 10.02, 10.03, 10.04, 10.05, 10.06, 10.07, 10.08, 10.10 and 10.12 shall automatically and irrevocably be of no further force and effect; and, except as set forth in this Section 8.03 and Section 10.03, there shall be no liability on the part of any party, or its respective directors, officers, partners or Affiliates. Notwithstanding the foregoing, the liabilities and obligations arising under Section 6.08 shall survive any termination of this Agreement. Notwithstanding the foregoing, if this Agreement is terminated by a Party because of the willful breach of this Agreement by the other Party or because one or more of the conditions to the terminating Party's obligations under this Agreement is not satisfied as a result of the other Party's willful failure to comply with its obligations under this Agreement, the terminating Party's right to pursue all legal remedies will survive such termination unimpaired.

ARTICLE 9
INDEMNIFICATION

Section 9.01 By Seller.

A. Seller's Indemnification Obligations. Subject to the limitations set forth below in this Section 9.01, from and after the Closing Date, Seller shall indemnify the Purchaser's Indemnified Persons against, and hold the Purchaser's Indemnified Persons harmless from, any and all Losses directly or indirectly suffered or incurred by any of the Purchaser's Indemnified Persons resulting from, relating to or arising out of:

(i) any breach of any of the representations or warranties of Seller set forth in Article 4 hereof.

(ii) any breach of any covenant or agreement made by Seller (excluding actions taken by Seller on or after the Closing Date) under this Agreement; and

(iii) any liability, payment or obligation in respect of any Taxes determined to be owing by either of the Company by any taxing authority in a "determination" as defined in Section 1313 of the Code, or under similar circumstances with respect to state or local Taxes, for periods prior to the Closing Date, whether or not such Tax liability is shown as owing on either of the Company's Tax Returns for periods prior to the Closing Date, including any liability imposed upon either of the Company because of joint and several liability as a member of Seller's consolidated group.

B. Limitation on Seller's Indemnification Obligations. The right to indemnification under this Section 9.01 is subject to the following limitations:

(i) The indemnification rights under this Section 9.01 shall expire at the respective times set forth in Section 9.05, and Seller shall have no liability under this Section 9.01 or otherwise in connection with the transaction contemplated by this Agreement unless a Purchaser's Indemnified Person gives written notice to Seller asserting a claim for Losses, including reasonably detailed specific facts and circumstances pertaining thereto, before the expiration of the periods of time that the underlying representations, warranties, covenants and agreements survive under Section 9.05 hereof.

(ii) Seller's aggregate liability for all claims under this Section 9.01 shall not exceed twenty-five percent (25%) of the Total Consideration, which sum shall be finally determined for this purpose as of the date when a claim for indemnification is first made by the Purchaser.

(iii) Notwithstanding anything else in this Agreement to the contrary, (i) Seller's indemnification obligation under this Section 9.01 shall not arise until the aggregate Losses of Purchaser's Indemnified Persons owed by Seller to Purchaser pursuant to Section 9.01.A exceeds "**Threshold Amount**", at which time Seller's indemnification obligations will be only for those Losses of Purchaser's Indemnified Persons in excess of the Threshold Amount, subject to the limitation on the Seller's aggregate liability set forth in Section 9.01.B(ii); *provided, however*, that the Purchaser's Indemnified Persons shall be entitled to indemnification for (i) all Losses pursuant to a "determination" as that term is defined in

Section 1313 of the Code, or under similar circumstances for state or local purposes, relating to the Company's Income Tax liability which is the responsibility of Seller hereunder, (ii) all Losses relating to or arising out of fraud on the part of Seller, or (iii) Losses arising in connection with Section 10.03.

(iv) If Purchaser shall have actual knowledge as of the Closing Date that any of the representations or warranties of Seller contained herein are false or inaccurate or that Seller is in breach of any covenant or obligation under this Agreement, then Seller shall have no liability for any Losses resulting from or arising out of the falsity or inaccuracy of such representations or warranties, or the breach of such covenant or obligation.

Section 9.02 **By Purchaser.**

A. **Purchaser's Indemnification Obligations.** Subject to the limitations set forth below in this Section 9.02, from and after the Closing Date, Purchaser shall indemnify the Seller's Indemnified Persons against, and hold the Seller's Indemnified Persons harmless from, any and all Losses directly or indirectly suffered or incurred by any of the Seller's Indemnified Persons resulting from, relating to or arising out of:

(i) any breach of any of the representations or warranties of Purchaser set forth in Article 5 hereof.

(ii) any breach of any covenant or agreement made by Purchaser under this Agreement.

(iii) except as specifically provided otherwise in Section 6.09 of this Agreement, any liabilities of the Company from and after the Closing Date, including Environmental, Health and Safety Liabilities arising from claims or demands asserted from and after the Closing Date.

B. **Limitations on Purchaser's Indemnification Obligations.** The right to indemnification under this Section 9.02 is subject to the following limitations:

(i) The indemnification rights under this Section 9.02 shall expire at the respective times set forth in Section 9.05, and Purchaser shall have no liability under this Section 9.02 or otherwise in connection with the transactions contemplated by this Agreement unless a Seller's Indemnified Person gives written notice to Purchaser asserting a claim for Losses, including reasonably detailed specific facts and circumstances pertaining thereto, before the expiration of the periods of time that the underlying representations, warranties, covenants and agreements survive under Section 9.05 hereof.

(ii) If Seller shall have actual knowledge as of the Closing Date that any of the representations or warranties of Purchaser contained herein are false or inaccurate or that Purchaser is in breach of any covenant or obligation under this Agreement, then Purchaser shall have no liability for any loss resulting from or arising out of the falsity or inaccuracy of such representations or warranties, or the breach of such covenant or obligation.

Section 9.03 **"Losses" Defined.** As used in this Agreement, the term "**Losses**" means all losses, claims, liabilities, damages, judgments, Taxes, payments, obligations, costs and

expenses (including any reasonable legal fees and reasonable costs and expenses incurred from and after the Closing Date in defense of or in connection with any alleged or asserted liability, payment or obligation as to which indemnification may apply hereunder), regardless of whether or not any liability, payment, obligation or judgment is ultimately imposed against the Purchaser's Indemnified Persons or Seller's Indemnified Persons and whether or not the Purchaser's Indemnified Persons or Seller's Indemnified Persons are made or become parties to an action, suit or proceeding in respect thereof, voluntarily or involuntarily.

Section 9.04 Notice of Claims. With respect to any matter as to which any person or entity (the "**Indemnified Person**") is entitled to indemnification from any other person or entity (the "**Indemnifying Person**") under this Article 9, the Indemnified Person shall have the right, but not the obligation, to contest, defend or litigate, and to retain counsel of its choice in connection with, any claim, action, suit or proceeding by any third party alleged or asserted against the Indemnified Person in respect of, resulting from, relating to or arising out of such matter, and the costs and expenses thereof shall be subject to the indemnification obligations of the Indemnifying Person hereunder; *provided, however*, that if the Indemnifying Person acknowledges in writing its obligation to indemnify the Indemnified Person in respect of such matter to the fullest extent provided by this Article 9, the Indemnified Person shall be entitled, at its option, to assume and control the defense of such claim, action, suit or proceeding at its expense through counsel of its choice if it gives prompt notice of its intention to do so to the Indemnified Person. Neither an Indemnified Person nor an Indemnifying Person shall be entitled to settle or compromise any such claim, action, suit or proceeding without the prior written consent of the other Party hereto (and for purposes of this provision the "other Party hereto" shall be: (i) Purchaser, for any Indemnified Person or Indemnifying Person who is a Seller's Indemnified Person; and (ii) Seller, for any Indemnified Person or Indemnifying Person who is a Purchaser's Indemnified Person), which consent shall not be unreasonably withheld.

Section 9.05 Survival of Provisions.

A. Representations and Warranties. All representations and warranties contained herein or made pursuant to this Agreement shall survive the Closing until (but excluding) the first (1st) anniversary of the Closing Date, except that (i) the representations and warranties contained in Section 4.16 (Capitalization and Title to Shares) shall survive the Closing without limitation, and (ii) the representations and warranties contained in Section 4.09 (Taxes) shall survive until the end of the applicable statute of limitations period.

B. Covenants. All covenants and agreements of the parties contained in or made pursuant to this Agreement and required to be performed prior to the Closing Date shall not survive the Closing and shall be deemed to have been waived by the Party for whose benefit the covenant or agreement exists. All other covenants and agreements contained in or made pursuant to this Agreement (including Sections 6.12, 9.01 and 9.02) shall survive the Closing for so long as any claim may be made in respect of such matters under any applicable statute of limitations.

Section 9.06 No Punitive Damages, etc. Notwithstanding anything to the contrary set forth in this Agreement, neither Party hereto shall have any liability to the other Party hereto, any of Purchaser's Indemnified Persons or any of Seller's Indemnified Persons for any punitive, consequential or special damages by virtue of any breach of any representation, warranty, covenant or agreement in or pursuant to this Agreement, any Seller Document or Purchaser Document or any other agreement, document or instrument executed and delivered pursuant hereto or in connection herewith or the Closing; *provided* that the foregoing shall not be deemed

to limit the obligation of either Party hereunder to indemnify for Losses constituting punitive, consequential or special damages awarded to any third-party claimant.

Section 9.07 Exclusive Remedy. Each Party hereto agrees that the sole liability of the other Party hereto for any claim with respect to the transaction contemplated under this Agreement from and after the Closing Date shall be limited to indemnification under this Article 9; *provided, however*, that the foregoing shall not be deemed to prohibit or restrict the availability of any equitable remedies (including specific performance) in the event of any violation or threatened violation of Section 6.08 or Section 6.12, nor the enforcement of any specific remedy provided therein.

ARTICLE 10 MISCELLANEOUS PROVISIONS

Section 10.01 Further Actions. From time to time after the Closing Date, the Parties hereto shall execute and deliver (or cause to be executed and delivered) such other and further documents and instruments and shall take (or cause to be taken) such other and further actions as either Party hereto may reasonably request in order to further effect or evidence the transaction contemplated hereby or to otherwise consummate and give effect to the covenants and agreements set forth herein.

Section 10.02 Brokers. Seller shall indemnify Purchaser against, and hold Purchaser harmless from, at all times after the date hereof, any and all Losses resulting from, relating to or arising out of any agreement, arrangement or undertaking made or alleged to have been made by Seller or any officer, director, employee, agent, representative or Affiliate of Seller with any third party for brokerage or finder fees or other commissions in connection with this Agreement or the transaction contemplated hereby or thereby. Purchaser shall indemnify Seller against, and hold Seller harmless from, at all times after the date hereof, any and all Losses resulting from, relating to or arising out of any agreement, arrangement or undertaking made or alleged to have been made by Purchaser or any officer, director, employee, agent, representative or Affiliate of Purchaser with any third party for brokerage or finder fees or other commissions in connection with this Agreement or the transaction contemplated hereby or thereby.

Section 10.03 Expenses. Seller shall bear its and the Company's legal fees, and other costs and expenses with respect to the negotiation, execution and the delivery of this Agreement and the consummation of the transaction hereunder. Purchaser shall bear its own legal fees, and other costs and expenses with respect to the negotiation, execution and the delivery of this Agreement and the consummation of the transaction hereunder. Seller shall pay any and all sales, transfer and documentary stamp taxes and other expenses incident to the transfer of the Shares.

Section 10.04 Entire Agreement. This Agreement, which includes the Exhibits hereto and the Disclosure Schedules, and the other Seller Documents and the Purchaser Documents, contain the entire agreement among Seller and Purchaser with respect to the subject matter hereof and thereof, and supersede all prior agreements, arrangements and understandings with respect thereto.

Section 10.05 Notices. Any notice or other communication which is required or permitted hereunder or under any other Seller Document or Purchaser Document shall be in writing and shall be deemed to have been delivered and received (x) on the day of (or, if not a Business Day, the first Business Day after) its having been personally delivered or telecopied to the following address or telecopy number, (y) on the first Business Day after its having been sent

by overnight delivery service to the following address, or (z) if sent by regular, registered or certified mail, when actually received at the following address:

If to Seller:

Potlatch Land & Lumber, LLC
601 W. First Avenue, Suite 1600
Spokane, Washington 99201
Attention: Vice President and General Counsel
Telecopier No.: (509) 343-2896
Telephone No.: (509) 835-1523

If to Purchaser:

Mike Williams
P.O. Box 612
Richmond, Missouri 64085
Telecopier No.: (816) 470-7069
Telephone No.: (816) 776-7270
Cellular Phone No.: (816) 260-8747

Either Party may by notice change the address or telecopier number to which notices or other communications to it are to be delivered, telecopied or sent.

Section 10.06. Governing Law and Forum. This Agreement shall be governed by and construed in accordance with the laws of the State of Idaho (other than the choice of law principles thereof). Any claim, action, suit or other proceeding initiated by any Indemnified Person under or in connection with this Agreement or any Purchaser Document shall exclusively be asserted, brought, prosecuted and maintained in any federal or state court in the State of Idaho, as the party bringing such action, suit or proceeding shall elect, having jurisdiction over the subject matter thereof. Seller and Purchaser each hereby irrevocably (i) submit to the jurisdiction of such courts, (ii) waive any and all rights to object to the laying of venue in any such court, (iii) waive any and all rights to claim that any such court may be an inconvenient forum, and (iv) agree that service of process on them in any such action, suit or proceeding may be effected by the means by which notices may be given to it under this Agreement.

Section 10.07. Assignment. This Agreement, and the respective rights and obligations of the Parties hereunder, may not be assigned or delegated other than by operation of law by Purchaser or (after the Closing) the Company without the prior written consent of Seller. This Agreement shall inure to the benefit of and be binding upon the Parties hereto and their respective successors and permitted assigns.

Section 10.08. Remedies. Purchaser and Seller acknowledge that any violation or threatened violation of Section 6.08 hereof will cause irreparable injury to the other Party and that the remedy at law for any such violation or threatened violation will be inadequate. Purchaser and Seller agree that the other Party shall be entitled to temporary and permanent injunctive relief for any such violation or threatened violation without the necessity of proving (i) that the other Party will be irreparably injured thereby, (ii) that the remedy at law for such violation or threatened violation is inadequate or (iii) actual damages.

Section 10.09 Waivers and Amendments. Any waiver of any term or condition of this Agreement, or any amendment or supplementation of this Agreement, shall be effective only if in a writing executed by each of the Parties hereto. A waiver of any breach or failure to enforce any of the terms or conditions of this Agreement shall not in any way affect, limit or waive a Party's rights hereunder at any time to enforce strict compliance thereafter with every term or condition of this Agreement.

Section 10.10 Third-Party Rights. Notwithstanding any other provision of this Agreement, and except as expressly provided in Article 9 or as permitted pursuant to Section 10.07 hereof, this Agreement and the other Seller Documents and Purchaser Documents shall not create benefits on behalf of any Employee, agent or representative of the Company or any other person or entity not party hereto (including any accountant, broker or finder, notwithstanding the provisions of Section 10.02), and this Agreement shall be effective only as between the Parties hereto, their successors, and permitted assigns.

Section 10.11 Severability. In the event that any provision contained in this Agreement shall be determined to be invalid, illegal or unenforceable in any respect for any reason, the validity, legality and enforceability of any such provision in every other respect, and the remaining provisions of this Agreement, shall not, at the election of the Party for whose benefit the provision exists, be in any way impaired.

Section 10.12 Nature of the Transaction.

A. Purchase of Business Entities. Purchaser and Seller agree that the Purchase and Sale hereunder is a purchase of a business in its entirety as a going concern to be directed and operated by Purchaser, and not an investment in securities although the transaction will be effectuated by a sale of the Shares.

B. Shares Are Restricted Securities. For purposes of the Securities Act, Purchaser hereby acknowledges its understanding that the Shares are not registered under the Securities Act or registered or qualified under any Blue Sky Laws, on the grounds that the offering, sale, issuance and delivery thereof is exempt from the registration and qualification requirements thereof, and that Seller's reliance on such exemption is predicated in part on the following covenants, agreements and acknowledgments of Purchaser. Purchaser hereby represents and warrants to and covenants and agrees with Seller that Purchaser: (i) is acquiring the Shares for its own account for investment purposes only, with no present intention of offering, selling, transferring, distributing or otherwise disposing of the same, any part thereof or any interest therein (subject, nevertheless, to any requirement of the law that the disposition of its securities shall at all times be within its control), and (ii) will not offer, sell, transfer, distribute or otherwise dispose of the Shares except in compliance with the Securities Act and all applicable Blue Sky Laws.

Section 10.13 Public Announcements. Neither Party hereto shall make any Announcement to which the other Party hereto shall reasonably object, provided, however, Seller may be required under the Exchange Act to report this Agreement and the transaction contemplated hereby, and such reporting shall be permitted in all events. Each Party shall afford the other Party a reasonable opportunity to review and comment upon each Announcement proposed to be made by it prior to the release thereof.

Section 10.14 Counterparts. This Agreement may be executed in any number of counterparts, and each such counterpart shall be deemed to be an original instrument, but all such

counterparts together shall constitute but one agreement. Any signed counterpart may be delivered by facsimile or other form of electronic transmission, with the same legal force and effect as delivery of an originally signed agreement.

IN WITNESS WHEREOF, the undersigned have executed this Stock Purchase Agreement as of the date first above written.

"Seller":

POTLATCH LAND & LUMBER, LLC

By: _____

Name: Tom Temple

Title: Vice President

"Purchaser":

MICHAEL WILLIAMS

**Exhibits
To
Stock Purchase Agreement**

By and Between

Potlatch Land & Lumber, LLC

And

Michael Williams

Dated as of February 16, 2010

Exhibit A – Disclosure Schedules

Exhibit B – Service Agreement

Exhibit C – Security Agreement

Exhibit D – Operating Guaranty

Exhibit A

To

Stock Purchase Agreement

By and Between

Potlatch Land & Lumber, LLC

And

Michael

Dated as of February 16, 2010

**Disclosure Schedules
to
Stock Purchase Agreement
between
Potlatch Land & Lumber, LLC and Williams (corp. tbd)**

Disclosure Schedule 2.02. Allocation of Total Consideration

**Disclosure Schedules
to
Stock Purchase Agreement
between
Potlatch Land & Lumber, LLC and Williams (corp. tbd)**

Disclosure Schedule 3.04 Certain Asset Transfers

Prior to the Closing, the Company will, for such consideration as the Company and Seller deem adequate, and on such other terms as are commercially reasonable:

- (1) Quitclaim to Seller all of its right, title and interest in the right of way from St. Maries to Bovill, reserving to the Company an easement for use the right of way for the operation of a railroad and for salvaging the track, ties, and other materials within the right of way, with such additional terms regarding the Company's use and maintenance of the easement, compliance with environmental laws in the removal of material, and indemnification of Seller against liability arising from such operations as are commercially reasonable.

This conveyance will not include the Fernwood Depot, or Company land immediately adjacent to the Fernwood Depot and not reasonably required for vehicular use of the right of way, provided that Purchaser at its expense, and in form and substance satisfactory to Seller, obtains a survey and prepares and files the documents required for segregation of the Fernwood depot and such adjacent land from the remaining Bovill right of way properties before the closing.

- (2) Quitclaim to Seller all of its right title and interest in the Plummer Shed the right of way and trackage from to the Plummer Shed to the UPRR interconnect (at a mid-point on the Company/UPRR switch to be mutually agreed by the parties), subject to a lease back to the Company of such rights for so long as the Company operates a railroad along such track and so long as Company does not default on the Service Agreement.

**Disclosure Schedules
to
Stock Purchase Agreement
between
Potlatch Land & Lumber, LLC and Williams (corp. tbd)**

Disclosure Schedule 4.02

Consents of Notices Required of Seller

None.

**Disclosure Schedules
to
Stock Purchase Agreement
between
Potlatch Land & Lumber, LLC and Williams (corp. tbd)**

Disclosure Schedule 4.04 Company Financial Statements

Balance Sheet, Income Statement, and Schedule of Car Shipments for FY 2003 -2009 attached.

**Disclosure Schedules
to
Stock Purchase Agreement
between
Potlatch Land & Lumber, LLC and Williams (corp. tbd)**

Disclosure Schedule 4.05A Tangible Property of Company

**Disclosure Schedules
to
Stock Purchase Agreement
between
Potlatch Land & Lumber, LLC and Williams (corp. thd)**

Disclosure Schedule 4.06 Intellectual Property of Company

None:

Disclosure Schedules
to
Stock Purchase Agreement
between
Potlatch Land & Lumber, LLC and Williams (corp. tbd)

Disclosure Schedule 4.07 Litigation

None.

Disclosure Schedules
to
Stock Purchase Agreement
between
Potlatch Land & Lumber, LLC and Williams (corp. tbd)

Disclosure Schedule 4.08 **Permits**

None.

**Disclosure Schedules
to
Stock Purchase Agreement
between
Potlatch Land & Lumber, LLC and Williams (corp. tbd)**

Disclosure Schedule 4.09 Income Tax Liabilities

None.

**Disclosure Schedules
to
Stock Purchase Agreement
between
Potlatch Land & Lumber, LLC and Williams (corp. tbd)**

Disclosure Schedule 4:11 Employment Matters

None.

**Disclosure Schedules
to
Stock Purchase Agreement
between
Potlatch Land & Lumber, LLC and Williams (corp. tbd)**

Disclosure Schedule 4.12 Environmental Matters.

None.

**Disclosure Schedules
to
Stock Purchase Agreement
between
Potlatch Land & Lumber, LLC and Williams (corp. tbd)**

Disclosure Schedule 4.13 Material Contracts

Sublease to Clearwater Paper

Disclosure Schedules
to
Stock Purchase Agreement
between
Pottlatch Land & Lumber, LLC and Williams (corp. tbd)

Disclosure Schedule 4.14 Absence of Certain Changes:

Purchaser acknowledges that prior to Closing certain transactions will take place involving transfers of rights in real and personal property from Company to Seller as identified in Disclosure Schedule 3.04.

**Disclosure Schedules
to
Stock Purchase Agreement
between
Potlatch Land & Lumber, LLC and Williams (corp. tbd)**

Disclosure Schedule 4.16 Capitalization and Title to Shares

The capital stock of the Companies has been pledged pursuant to that certain Pledge Agreement dated as of December 8, 2008, among Potlatch Corporation, Potlatch Forest Holdings, inc., Seller, and PFHI Idaho Investments LLC as Pledgors, and Bank of America, NA, as Collateral Agent. The Collateral Agent's security interest in the Company's stock will be released before Closing.

Disclosure Schedules
to
Stock Purchase Agreement
between
Potlatch Land & Lumber, LLC and Williams (corp. tbd).

Disclosure Schedule 4.17 Bank Accounts

None:

**Disclosure Schedules
to
Stock Purchase Agreement
between
Potlatch Land & Lumber, LLC and Williams (corp. tbd)**

Disclosure Schedule 4:18 Insurance

All insurance coverage is scheduled to expire on April 1, 2010.

Disclosure Schedules
to
Stock Purchase Agreement
between
Potlatch Land & Lumber, LLC and Williams (corp. tbd)

Disclosure Schedule 6.13 Employees

None.

Disclosure Schedules
to
Stock Purchase Agreement
between
Potlatch Land & Lumber, LLC and Williams (corp: tbd)

Disclosure Schedule 6.14 Resignations

**Disclosure Schedules
to
Stock Purchase Agreement
between
Potlatch Land & Lumber, LLC and Williams (corp. tbd)**

Disclosure Schedule 7.01.B Required Consents

None.

Exhibit B
Service And Demurrage Agreement
Between
Potlatch Land & Lumber LLC
And
St. Maries River Railroad Company
Dated [insert Closing Date]

Service And Demurrage Agreement

This Service And Demurrage Agreement (this "Agreement"), dated as of the ____ day of _____, 2010, (the "Agreement Date"), is by and between Potlatch Land & Lumber, LLC, a Delaware limited liability company ("Potlatch"), whose main offices are located at 601 W First Avenue, Suite 1600, Spokane, Washington 99201, and Saint Maries River Railroad Company, ("Carrier"), having an office address of _____ Railroad Ave, St Maries, ID 83861.

RECITALS

A. Carrier desires to transport railcars and goods tendered by Potlatch from its mill in St. Maries, Idaho, to the connection with Union Pacific Railroad Company line ("UP") at Plummer, Idaho; and Potlatch desires to transport and ship railcars and goods on the rail lines of Carrier to such connection and on the lines of other common carriers.

B. The parties desire to set forth certain rates and charges which will apply to the performance by Carrier for Potlatch of the transportation services described in this Agreement for the term of this Agreement.

NOW, THEREFORE, in consideration of the mutual benefits to be derived and the representations and warranties, conditions, covenants and agreements herein contained, and intending to be legally bound hereby, the Parties hereto agree as follows:

Article 1. Services and Rates.

1.1 During the Term of this agreement Carrier agrees to provide Potlatch with freight rail services from its mill in St. Maries, Idaho, to the connection with Union Pacific Railroad Company ("UP"), or its successor in interest, as described in Schedule A to this Agreement (the "Services").

1.2 Carrier shall provide the Services in accordance with its general freight tariff, or service contract with UP, or other relevant carrier, in effect at the time of shipment as modified and supplemented by the provisions set forth in Schedule A. The specific rates for Services described in Schedule A, as for unabsorbed switch charges and transportation surcharges, are in addition to and not in lieu of any charges Carrier may establish from time to time as a common carrier pursuant to contracts or freight tariffs established and (except for confidential contracts) as published on Carrier's web site or otherwise delivered to Potlatch in conformance with applicable law. Where a conflict exists between this Agreement, or any amendment of this Agreement, and any such contract or tariff, whether now existing or subsequently adopted, the provisions of this Agreement will control.

1.3 On each anniversary of the date of this Agreement, the parties will meet and review the rates and charges set forth in Schedule A, and the allotted storage space to be provided by Carrier as described in Schedule A. The parties may modify such rates and charges, and the allotted storage space, from time to time by mutual agreement, provided that no modification will be effective unless set forth in a written agreement executed by the authorized representatives of each party.

Article 2. Payment.

2.1 Potlatch will pay Carrier for the Services and for other charges as invoiced by Carrier from time to time in accordance with usual business practices of the railroad industry. Carrier will identify each charge by car number and send all invoices to Potlatch's Transportation Department at the address provided in Section 5.5. Payment terms are net 30 days. Any amounts not paid when due will bear interest at a variable rate, adjusted on the first day of each month, equal to the prime rate as published in the Wall Street Journal on the first business day of such month, and converted from an annual rate to a monthly rate based on a 360 day year.

2.2 Carrier shall keep all usual and proper records and books of account, and all usual and proper entries relating to the services performed and the basis of all charges in accordance with generally accepted accounting practices. Potlatch may, at its expense and upon reasonable notice, not more than once in any twelve (12) month period, audit Carrier with respect to its compliance with the terms of this Agreement. Such audit shall be by one or more a certified public accountants designated by Potlatch, and will be conducted during regular business hours at Carrier's facilities with reasonable notice. Carrier shall provide the auditor with full access to relevant books and records of Carrier. If the audit reveals that Carrier has invoiced and Potlatch has paid charges not authorized by this Agreement, Carrier shall promptly refund the amount of any overpayment and, if the amount is greater than five percent (5%) of the total of charges invoiced for the audit period, Carrier shall be responsible for paying the costs of such audit. This right of audit will survive for three years following the termination of this Agreement. Nothing in this paragraph will be construed to require Carrier to divulge any information which would be in violation of the Interstate Commerce Act or related federal regulations.

Article 3. Term and Termination.

3.1 This Agreement becomes effective on the date first written above, and will continue in effect for twenty (20) years from such date, ending at 12:01 a.m., Pacific Time, on the same day of the year 2030 unless sooner terminated as permitted by Section 3.3 of this Agreement.

3.2 Upon expiration of the initial term, the term of this Agreement will automatically renew for additional one year terms, each ending at 12:01 a.m., Pacific Time, on the same day of the next year, unless (i) one party provides written notice of its intention not to renew at least ninety (90) days before the expiration of the then current term, or (ii) the Agreement is terminated as permitted by Section 3.3 of this Agreement.

3.3 Either party may terminate this Agreement by notice to the other party on the occurrence of any of the following events, each constituting an Event of Default by the other party:

a) A party breaches a representation or warranty stated in this Agreement, or fails to perform a material term of this Agreement not involving the payment of money, and such breach or default continues for a period of 30 days after notice thereof is given to such Party, provided, however, if such condition cannot reasonably be cured within such 30-day period, it instead will be an Event Of Default if the defaulting Party fails to commence to cure such condition within such 30-day period and/or thereafter fails to prosecute such cure diligently and continuously to completion within 90 days of the date of notice of default; or

b) A Party becomes insolvent or unable to pay its debts as they become due, or notifies another Party that it anticipates either condition, or a petition is filed by or against a Party for relief under any bankruptcy or creditor protection legislation, or any of the assets of a Party are placed in the control of a trustee or receiver or are subject to a general assignment for benefit of creditors.

Article 4. Indemnification and Insurance.

4.1 **Indemnification.** Each Party (the "Indemnitor") will defend, indemnify and hold harmless the other party and its directors, officers, employees and agents, and each of their representatives, successors and assigns (collectively, the "Indemnitees") against and in respect of all loss, liability, damage, fines, suits, proceedings, claims, demands or actions (collectively, a "claim") of any nature or kind whatsoever, directly or indirectly, arising out of or in any manner associated or connected with the Indemnitor's performance, purported performance or non-performance of its rights and obligations under this Agreement and against any and all damages, costs, expenses and fees (including without limitation reasonable legal expenses) incurred by or on behalf of any of the foregoing in the investigation or defense of any and all such suits, proceedings, claims, demands or actions.

4.2 **Insurance.** Carrier shall obtain, pay for, and keep in force as primary coverage the following policies of insurance described in Schedule A with such insurers qualified to do business in the United States as shall be acceptable to Potlatch. During the term of this

Agreement, Potlatch shall have the right, from time to time, to revise the amount or form of insurance provided in Schedule A, as railroad industry practice or changing economic conditions may require.

Article 5. Other

5.1 Relationship. Each party is an independent contractor to the other and has no authority to act for or bind the other, and nothing in this Agreement may be construed as creating any other form of relationship (including employment, partnership, joint venture, franchise, or agency).

5.2 Confidentiality. Each party agrees that it will hold the material provisions of this Agreement, including Schedule A, in confidence, and not disclose them to any person except to the extent necessary for the performance or enforcement of this Agreement, or to the extent that such disclosure is required by law.

5.3. Governing Law, Dispute Resolution

a) This Agreement will be governed and construed in accordance with the internal laws of the State of Washington, as applied to contracts between residents of that State. The parties expressly consent to the jurisdiction of the courts of the State of Washington, and of the U.S. District Court for the Eastern District of Washington. The venue of any action concerning this Agreement may be laid in a state or federal court located in Spokane County, Washington.

b) If a dispute arises concerning this Agreement, the parties shall submit their dispute to mediation in accordance with the Commercial Mediation Rules of the American Arbitration Association if they can agree to do so, otherwise to formal arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association; provided that if the parties begin in mediation, any party to the dispute may require arbitration at any time upon written notice in accordance with the Commercial Arbitration Rules.

c) The arbitration proceedings will be conducted by a single arbitrator in Spokane County, Washington. Without limiting the arbitrator's general authority, the arbitrator may order reasonable discovery in accordance with the Federal Rules of Civil Procedure. The arbitrator may grant equitable relief, and damages to the extent permitted by this Agreement, but is not authorized or empowered to award punitive damages. The prevailing party in any dispute is entitled to an award of its costs and reasonable attorney's fees. The arbitrator will determine the "prevailing party" for this purpose. Final decisions of the arbitrator are binding and enforceable without further legal proceedings in court or otherwise, provided that any party may enter judgment upon an award in any court having jurisdiction. Nothing in this Agreement will prevent a party from obtaining a temporary restraining order or other temporary or preliminary judicial relief from a court of proper jurisdiction pending final resolution of a dispute according to the provisions of this Agreement.

5.4 Force Majeure. Neither party is responsible to the other for non-performance or delay in performance occasioned by any cause beyond its control including acts or omissions of the other party; acts of civil or military authority, acts of terror, strikes, lock-outs, embargoes, insurrections, fire, flood, windstorm, or other Act of God. When such delay occurs, the time for performance will be automatically extended for a period equal to the time lost from such cause, provided that the party delayed takes reasonable measures to promptly correct or overcome the causes of the delay and gives the other party prompt notice, including an estimate of the time required to correct the causes of the delay, and the corrective measures the party intends to take.

5.5 Interpretation. This Agreement will be interpreted according to the plain meaning of its terms, without any presumption or inference that: (a) it should be construed either in favor of or against either party; or (b) failure to include a term that appeared in a prior draft is probative of the parties' intent in forming this Agreement. Headings are for convenience only and do not affect the meaning of this Agreement. The words "includes" and "including" are used in this Agreement without limitation unless qualified by terms such as "only" or "solely."

5.6 Waiver and Invalidity. All waivers must be in writing. A waiver is effective only with respect to the specific instance involved and will not apply in any other respect or at any other

time. If any part of this Agreement is or becomes invalid for any reason, that part will be enforced to the fullest extent permissible to effect the parties' intent and such invalidity will not affect the validity of the remaining parts of this Agreement.

5.7 Notice Generally. Each party will promptly notify the other of any change to its office and mailing addresses and telephone number throughout the term of this Agreement. Except as otherwise specifically provided by this Agreement, all notices shall be in writing and shall be effective when delivered to the other party by hand or by certified mail, return receipt requested, addressed to the appropriate party as follows:

If to Potlatch:

Potlatch Land & Lumber, LLC
601 W. 1st Avenue, Suite 1600
Attn: Transportation Dept.
Spokane, WA 99201
E-mail: transportation@potlatchcorp.com

If to Carrier:

St. Mary's River Railroad Company

Railroad Avenue
Attn: _____
St. Mary's ID 83861
E-mail: _____

Provided that any communication regarding day to day operations, such as the status or location of cars, or switching, or regarding matters of an emergency nature, may be given by any reasonable means, and shall be effective when received or when given verbally, by telephone, fax, or e-mail, if confirmed in writing as soon as practicable and no later than three days thereafter.

5.8 Amendment of Agreement. This Agreement and the Schedules to this Agreement may not be amended except by a writing signed by the parties, provided that any proposal for amendment e-mailed by Potlatch to Carrier will become binding on both parties upon Potlatch's receipt of an e-mailed response from Carrier confirming or agreeing to such proposal or, in lieu of an e-mail response, upon signature and delivery of a written agreement by the parties. For purposes of such notice, the parties will use the e-mail addresses set forth in Section 5.5 or other e-mail addresses as are provided by notice under Section 5.5.

5.9 Assignment and Delegation. Neither party may assign this Agreement in whole or in part, directly or indirectly (including by merger, stock transfer, grant of trackage rights, entry into a reciprocal switching agreement or otherwise), or delegate any rights or obligations under this Agreement, without the express written consent of the other party, which shall not be unreasonably withheld or delayed; provided that: (a) Potlatch may condition its consent upon the express written assumption of Carrier's obligations hereunder by the proposed assignee or delegate; and (b) Potlatch may assign this Agreement without Carrier's consent to a wholly owned subsidiary, or as part of a merger, consolidation, or other reorganization, a transfer or sale of its assets, or other transaction or series of transactions that results in a change of control of Potlatch. Subject to the foregoing, this Agreement will bind and benefit the parties, their successors, and permitted assigns.

5.10 Entire Agreement. This Agreement constitutes the entire agreement of the parties and supersedes all prior written or oral agreements or understandings between the parties with respect to the subject matter hereof.

In witness whereof the parties have executed this Agreement as of the date first written above:

| | |
|-----------------------------|-------------------------------------|
| Potlatch Land & Lumber, LLC | Saint Mary's River Railroad Company |
| By: _____ | By: _____ |
| (Name, Title) | (Name, Title) |

Exhibit C

Security Agreement

Between

Potlatch Land & Lumber LLC

And

Purchaser

Dated [insert Closing Date]

Security Agreement

This SECURITY AGREEMENT ("Agreement") is entered into as of [Closing Date], 2010, by and between Potlatch Land & Lumber, LLC ("Secured Party"), as secured party, and each of [Purchasing Entity] ("Purchaser") and St. Maries River Railroad Company ("Company"), as debtors, to secure the full payment and performance of all of Purchaser's and the Company's obligations arising from the closing of a Stock Purchase Agreement by and between Secured Party, as seller, and [Purchasing Entity], as Purchaser, entered into as of February 16, 2010.

The parties agree as follows:

I. DEFINITIONS AND CONSTRUCTION.

1.1 Definitions. Capitalized terms not expressly defined in this Agreement shall have the meaning ascribed to them by the Stock Purchase Agreement. As used in this Agreement, the following terms shall have the following definitions:

"Accounts" means all presently existing and hereafter arising accounts, contract rights, and all other forms of obligations owing to Debtor arising out of the sale or lease of goods (including, without limitation, the licensing of software and other technology) or the rendering of services by Debtor, whether or not earned by performance, and any and all credit insurance, guaranties, and other security therefor, as well as all merchandise returned to or reclaimed by Debtor and Debtor's Books relating to any of the foregoing.

"Secured Party Expenses" means all reasonable costs or expenses (including reasonable attorneys' fees and expenses) incurred in connection with the preparation, negotiation, and enforcement of the Loan Documents; reasonable Collateral audit fees; and Secured Party's reasonable attorneys' fees and expenses incurred in amending, enforcing or defending the Loan Documents (including fees and expenses of appeal), incurred before, during and after an Insolvency Proceeding, whether or not suit is brought.

"Business Day" means any day that is not a Saturday, Sunday, or other day on which banks in the State of Idaho or Washington are authorized or required to close.

"Closing Date" means the date of this Agreement.

"Code" means the Washington Uniform Commercial Code.

"Collateral" means the property described on Exhibits A-1 and A-2 attached hereto.

"Company's Books" means all of Company's books and records including ledgers, records concerning Company's assets or liabilities, the Collateral, business operations or financial condition, and all computer programs, or electronic storage media, and the equipment, containing such information.

"Debtor" refers to Company and [Purchasing Entity] jointly, or severally, as the context requires.

"Equipment" means all present and future rolling stock, track, machinery, equipment, tenant improvements, furniture, fixtures, vehicles, tools, parts and attachments in which Debtor has any interest.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended, and the regulations thereunder.

"Event of Default" has the meaning assigned in Article 6.

"GAAP" means generally accepted accounting principles as in effect from time to time.

"Insolvency Proceeding" means any proceeding commenced by or against any person or entity under any provision of the United States Bankruptcy Code, as amended, or under any other bankruptcy or insolvency law, including assignments for the benefit of creditors, formal or informal moratoria, compositions, extension generally with its creditors, or proceedings seeking reorganization, arrangement, or other relief.

"Inventory" means all present and future inventory in which Debtor has any interest, including raw or salvaged materials, parts, supplies, packing and shipping materials, work in process and finished products intended for sale or lease or to be furnished under a contract of service, of every kind and description now or at any time hereafter owned by or in the custody or possession, actual or constructive, of Company, including such inventory as is temporarily out of its custody or possession or in transit and including any returns upon any accounts or other proceeds, including insurance proceeds, resulting from the sale or disposition of any of the foregoing and any documents of title representing any of the above, and Company's Books relating to any of the foregoing.

"IRC" means the Internal Revenue Code of 1986, as amended, and the regulations thereunder.

"Lien" means any mortgage, lien, deed of trust, charge, pledge, security interest or other encumbrance.

"Loan Documents" means, collectively, the Stock Purchase Agreement, this Agreement, and any other agreement entered into between Debtor and Secured Party in connection with this Agreement, and all as amended or extended from time to time.

"Negotiable Collateral" means all of Debtor's present and future letters of credit of which it is a beneficiary, notes, drafts, instruments, securities, documents of title, and chattel paper, and Debtor's Books relating to any of the foregoing.

"Obligations" means the Earn Out, and all other debt, principal, interest, Secured Party Expenses and other amounts owed to Secured Party by Debtor pursuant to any of the Loan Documents, whether absolute or contingent, due or to become due, now existing or hereafter arising, including any interest that accrues after the commencement of an Insolvency Proceeding and including any debt, liability, or obligation owing from Debtor to others that Secured Party may have obtained by assignment or otherwise.

"Periodic Payments" means all installments or similar recurring payments that Debtor may now or hereafter become obligated to pay to Secured Party pursuant to the terms and provisions of any instrument, or agreement now or hereafter in existence between Debtor and Secured Party.

"Permitted Liens" means the following:

(a) Any Liens existing on the Closing Date and disclosed in the Schedule or arising under this Agreement or the other Loan Documents:

(b) Liens for taxes, fees, assessments or other governmental charges or levies, either not delinquent or being contested in good faith by appropriate proceedings, provided the same have no priority over any of Secured Party's security interests;

(c) Liens (i) upon or in any equipment acquired or held by Debtor or any of its Subsidiaries to secure the purchase price of such equipment or indebtedness incurred solely for the purpose of financing the acquisition of such equipment; or (ii) existing on such equipment at the time of its acquisition, provided that the Lien is confined solely to the property so acquired and improvements thereon, and the proceeds of such equipment;

(d) Liens incurred in connection with the extension, renewal or refinancing of the indebtedness secured by Liens of the type described in clauses (a) through (c) above, provided that any extension, renewal or replacement Lien shall be limited to the property encumbered by the existing Lien and the principal amount of the indebtedness being extended, renewed or refinanced does not increase.

"Person" means any individual, sole proprietorship, partnership, limited liability company, joint venture, trust, unincorporated organization, association, corporation, institution, public benefit corporation, firm, joint stock company, estate, entity or governmental agency.

"Responsible Officer" means each of the Chief Executive Officer, the Chief Operating Officer, the Chief Financial Officer and the Controller of Company.

"Stock Purchase Agreement" means an agreement for the purchase and sale of all of the stock of the Company, by and between Secured Party, as seller, and [Purchasing Entity], as Purchaser, entered into as of February 16, 2010.

"Subsidiary" means any corporation or partnership in which (i) any general partnership interest or (ii) more than 50% of the stock of which by the terms thereof ordinary voting power to elect the Board of Directors, managers or trustees of the entity, at the time as of which any determination is being made, is owned by Debtor, either directly or through an Affiliate.

"Trademarks" means any trademark and service mark rights, whether registered or not, applications to register and registrations of the same and like protections, and the entire goodwill of the business of Debtor connected with and symbolized by such trademarks.

1.2 Accounting Terms. All accounting terms not specifically defined herein shall be construed in accordance with GAAP, and all calculations made hereunder shall be made in accordance with GAAP. When used herein, the terms "financial statements" shall include the notes and schedules thereto.

2. CREATION OF SECURITY INTEREST:

2.1 Grant of Security Interest. Debtors, and each of them, grants and pledges to Secured Party a continuing security interest in all presently existing and hereafter acquired or arising Collateral in order to secure prompt repayment of any and all Obligations and in order to secure prompt performance by each Debtor of each of its covenants and duties under the Loan Documents. Except as set forth in the Schedule, such security interest constitutes a valid, first priority security interest in the presently existing Collateral, and will constitute a valid, first priority security interest in Collateral acquired after the date hereof.

2.2 Delivery of Additional Documentation Required. Debtor shall from time to time execute and deliver to Secured Party, at the request of Secured Party, all Negotiable Collateral, all financing statements and other documents that Secured Party may reasonably request, in form satisfactory to Secured Party, to perfect and continue perfected Secured Party's security interests in the Collateral and in order to fully consummate all of the transactions contemplated under the Loan Documents. Without limiting the foregoing, [Purchasing Entity] agrees to execute a pledge agreement with respect to the Collateral identified on Schedule A-2.

2.3 Right to Inspect. Secured Party (through any of its officers, employees, or agents) shall have the right, upon reasonable prior notice, from time to time during Company's usual business hours but no more than once a year (unless an Event of Default has occurred and is continuing), to inspect Company's Books and to make copies thereof and to check, test, and appraise the Collateral in order to verify Company's financial condition or the amount, condition of, or any other matter relating to the Collateral.

3. REPRESENTATIONS AND WARRANTIES.

Each Debtor represents and warrants, with respect to itself, as follows:

3.1 Due Authorization; No Conflict. The execution, delivery, and performance of the Loan Documents are within such Debtor's powers, have been duly authorized, and are not in conflict with nor constitute a breach of any provision contained in such Debtor's Articles of Incorporation or Bylaws, nor will they constitute an event of default under any material agreement to which such Debtor is a party or by which such Debtor is bound. Such Debtor is not in default under any agreement to which it is a party or by which it is bound, which default could have a Material Adverse Effect.

3.2 No Prior Encumbrances. Debtor has good and indefeasible title to the Collateral of such Debtor, free and clear of Liens, except for Permitted Liens.

3.3 Litigation. There are no actions or proceedings pending by or against Debtor or any Subsidiary before any court or administrative agency in which an adverse decision could have a Material Adverse Effect, or a material adverse effect on Debtor's interest or Secured Party's security interest in the Collateral.

3.4 No Material Adverse Change in Financial Statements. All consolidated financial statements related to Debtor and any Subsidiary that are delivered by Debtor to Secured Party fairly present in all material respects Debtor's consolidated financial condition as of the date thereof and Debtor's consolidated results of operations for the period then ended. There has not been a material adverse change in the consolidated financial condition of Debtor since the date of the most recent of such financial statements submitted to Secured Party.

3.5 Regulatory Compliance. Debtor has not violated any statutes, laws, ordinances or rules applicable to it, violation of which could have a Material Adverse Effect.

3.6 Government Consents. Debtor and each Subsidiary have obtained all consents, approvals and authorizations of, made all declarations or filings with, and given all notices to, all governmental authorities that are necessary for the continued operation of the Company's business as currently conducted, the failure to obtain which could have a Material Adverse Effect.

3.7 Full Disclosure. No representation, warranty or other statement made by Debtor in any certificate or written statement furnished to Secured Party contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained in such certificates or statements not misleading.

4. AFFIRMATIVE COVENANTS.

Debtors covenant and agree that, until payment in full of all outstanding Obligations, Company shall do all of the following:

4.1 Good Standing. Company shall maintain its and each of its Subsidiaries' corporate existence in its jurisdiction of incorporation and maintain qualification in each jurisdiction in which the failure to so qualify could have a Material Adverse Effect. Company shall maintain, and shall

cause each of its Subsidiaries to maintain, in force all licenses, approvals and agreements, the loss of which could have a Material Adverse Effect.

4.2 Government Compliance. Company shall meet, and shall cause each Subsidiary to meet, the minimum funding requirements of ERISA with respect to any employee benefit plans subject to ERISA. Company shall comply, and shall cause each Subsidiary to comply, with all statutes, laws, ordinances and government rules and regulations to which it is subject, noncompliance with which could have a Material Adverse Effect, or a material adverse effect on the Collateral or the priority of Secured Party's Lien on the Collateral.

4.3 Financial Statements, Reports, Certificates. Company shall deliver to Secured Party: (a) as soon as available, but in any event within thirty (30) days after the end of each calendar quarter, a company prepared consolidated balance sheet and income statement covering Debtor's consolidated operations during such period, in a form acceptable to Secured Party and certified by a Responsible Officer; (b) as soon as available, but in any event within one hundred twenty (120) days after the end of Debtor's fiscal year, company prepared consolidated financial statements of Debtor prepared in accordance with GAAP, consistently applied, together with an unqualified opinion on such financial statements of an independent certified public accounting firm reasonably acceptable to Secured Party; and (c) promptly upon receipt of notice thereof, a report of any legal actions pending or threatened in writing against Company or any Subsidiary that could result in damages or costs to Company or any Subsidiary of Fifty Thousand Dollars (\$50,000) or more.

4.4 Inventory Returns. Company shall keep all Inventory in good and marketable condition, free from all material defects except for Inventory for which adequate reserves have been made. Returns and allowances, if any, as between Company and its account debtors shall be on the same basis and in accordance with the usual customary practices of Company, as they exist at the time of the execution and delivery of this Agreement. Company shall promptly notify Secured Party of all returns and recoveries and of all disputes and claims, where the return, recovery, dispute or claim involves more than Fifty Thousand Dollars (\$50,000).

4.5 Taxes. Company shall make, and shall cause each Subsidiary to make, due and timely payment or deposit of all material federal, state, and local taxes, assessments, or contributions required of it by law, and will execute and deliver to Secured Party, on demand, appropriate certificates attesting to the payment or deposit thereof; and Company will make, and will cause each Subsidiary to make, timely payment or deposit of all material tax payments and withholding taxes required of it by applicable laws, including, but not limited to, those laws concerning F.I.C.A., F.U.T.A., state disability, and local, state, and federal income taxes, and will, upon request, furnish Secured Party with proof satisfactory to Secured Party indicating that Company or a Subsidiary has made such payments or deposits; provided that Company or a Subsidiary need not make any payment if the amount or validity of such payment is contested in good faith by appropriate proceedings and is reserved against (to the extent required by GAAP) by Debtor.

4.6 Insurance.

(a) Company, at its expense, shall keep the Collateral insured against loss or damage by fire, theft, explosion, sprinklers, and all other hazards and risks, and in such amounts, as ordinarily insured against by other owners in similar businesses conducted in the locations where Company's business is conducted on the date hereof. Company shall also maintain insurance relating to Company's ownership and use of the Collateral in amounts and of a type that are customary to businesses similar to Company's.

(b) All such policies of insurance shall be in such form, with such companies, and in such amounts as reasonably satisfactory to Secured Party. All such policies of property insurance shall contain a lender's loss payable endorsement, in a form satisfactory to Secured Party, showing Secured Party as an additional loss payee thereof, and all liability insurance policies shall show the Secured Party as an additional insured and shall specify that the insurer must give at least twenty (20) days

notice to Secured Party before canceling its policy for any reason. Upon Secured Party's request, Company shall deliver to Secured Party certified copies of such policies of insurance and evidence of the payments of all premiums therefor. All proceeds payable under any such policy shall, at the option of Secured Party, be payable to Secured Party to be applied on account of the Obligations.

4.7 Further Assurances. At any time and from time to time Debtors shall execute and deliver such further instruments and take such further action as may reasonably be requested by Secured Party to effect the purposes of this Agreement.

5. NEGATIVE COVENANTS

Each Debtor covenants and agrees that, until payment in full of the outstanding Obligations, Company will not do any of the following:

5.1 Dispositions. Convey, sell, lease, transfer or otherwise dispose of (collectively, a "Transfer"), or permit any of its Subsidiaries to Transfer, all or any part of its business or property, other than: (i) Transfers in the ordinary course of business; or (ii) Transfers of surplus, worn-out or obsolete Equipment.

5.2 Change in Control or Executive Office. Company will not have a Change in Control and will not, without thirty (30) days prior written notification to Secured Party, relocate its chief executive office. For purposes of this Section 5.2 and of Section 5.3, "Change in Control" shall mean a transaction in which any "person" or "group" (within the meaning of Section 13(d) and 14(d)(2) of the Securities Exchange Act of 1934) becomes the "beneficial owner" (as defined in Rule 13d-3 under the Securities Exchange Act of 1934), directly or indirectly, of a sufficient number of shares of all classes of stock then outstanding of Debtor ordinarily entitled to vote in the election of directors, empowering such "person" or "group" to elect a majority of the Board of Directors of Company, who did not have such power before such transaction.

5.3 Mergers or Acquisitions. Merge or consolidate, or permit any of its Subsidiaries to merge or consolidate, with or into any other business organization, or acquire, or permit any of its Subsidiaries to acquire, all or substantially all of the capital stock or property of another Person. Notwithstanding the foregoing, this Section 5.3 shall not apply to transactions in which the consideration is stock, Company is the surviving entity, and, after giving effect to such transaction, there is no Change in Control.

5.4 Encumbrances. Create, incur, assume or suffer to exist any Lien with respect to any of its property, or assign or otherwise convey any right to receive income, including the sale of any Accounts, or permit any of its Subsidiaries to do, except for Permitted Liens.

5.5 Distributions. Without prior written approval from Secured Party, pay any dividends or make any other distribution or payment on account of or in redemption, retirement or purchase of any capital stock.

5.6 Transactions with Affiliates. Directly or indirectly enter into or permit to exist any material transaction with any Affiliate of Company except for transactions that are in the ordinary course of Company's business, upon fair and reasonable terms that are no less favorable to Company than would be obtained in an arm's length transaction with a non-affiliated Person.

5.7 Inventory and Equipment. Store the Inventory, if any, or the Equipment with a bailee, warehouseman, or similar party unless: (i) such storage is with a common carrier in the ordinary course of the Company's business; or (ii) Secured Party has received a pledge of the warehouse receipt covering such Inventory or Equipment. Except for Inventory sold in the ordinary course of business and except for such other locations as Secured Party may approve in writing, Debtor shall keep the Inventory and Equipment only at locations within the State of Idaho and such other locations of which Debtor gives

Secured Party prior written notice and, as to which Debtor signs and files a financing statement where needed to perfect Secured Party's security interest.

5.8: Compliance. Become an "investment company" or be controlled by an "investment company," within the meaning of the Investment Company Act of 1940, or become principally engaged in, or undertake as one of its important activities, the business of extending credit for the purpose of purchasing or carrying margin stock, or use the proceeds of any Credit Extension for such purpose. Fail to meet the minimum funding requirements of ERISA, permit a Reportable Event or Prohibited Transaction, as defined in ERISA, to occur, fail to comply with the Federal Fair Labor Standards Act or violate any law or regulation, which violation could have a Material Adverse Effect, or a material adverse effect on the Collateral or the priority of Secured Party's Lien on the Collateral, or permit any of its Subsidiaries to do any of the foregoing.

6: EVENTS OF DEFAULT

Any one or more of the following events shall constitute an Event of Default by both Debtors if committed by either Debtor under this Agreement:

6.1 Payment Default. If a Debtor fails to pay, when due, any of the Obligations;

6.2 Covenant Default. If a Debtor fails to perform any obligation under Article 4 or violates any of the covenants contained in Article 5 of this Agreement, or fails or neglects to perform, keep, or observe any other material term, provision, condition, covenant, or agreement contained in this Agreement, in any of the Loan Documents, or in any other present or future agreement between Debtor and Secured Party and as to any default under such other term, provision, condition, covenant or agreement that can be cured, has failed to cure such default within ten (10) days after such Debtor receives notice thereof or any officer of Debtor becomes aware thereof; provided, however, that if the default cannot by its nature be cured within the ten (10) day period or cannot after diligent attempts by such Debtor be cured within such ten (10) day period, and such default is likely to be cured within a reasonable time, then such Debtor shall have an additional reasonable period (which shall not in any case exceed thirty (30) days) to attempt to cure such default, and within such reasonable time period the failure to have cured such default shall not be deemed an Event of Default;

6.3 Material Adverse Change. If there occurs a material adverse change in Company's business or financial condition, or if there is a material impairment of the prospect of repayment of any portion of the Obligations or a material impairment of the value or priority of Secured Party's security interests in the Collateral;

6.4 Attachment. If any material portion of a Debtor's assets is attached, seized, subjected to a writ or distress warrant, or is levied upon, or comes into the possession of any trustee, receiver or person acting in a similar capacity and such attachment, seizure, writ or distress warrant or levy has not been removed, discharged or rescinded within ten (10) days, or if a Debtor is enjoined, restrained, or in any way prevented by court order from continuing to conduct all or any material part of its business affairs, or if a judgment or other claim becomes a lien or encumbrance upon any material portion of a Debtor's assets, or if a notice of lien, levy, or assessment is filed of record with respect to any of a Debtor's assets by the United States Government, or any department, agency, or instrumentality thereof, or by any state, county, municipal, or governmental agency, and the same is not paid within ten (10) days after such Debtor receives notice thereof; provided that none of the foregoing shall constitute an Event of Default where such action or event is stayed or an adequate bond has been posted pending a good faith contest by such Debtor;

6.5 Insolvency. If a Debtor becomes insolvent, or if an Insolvency Proceeding is commenced by a Debtor, or if an Insolvency Proceeding is commenced against a Debtor and is not dismissed or stayed within thirty (30) days;

6.6 Other Agreements. If there is a default in any agreement to which a Debtor is a party with a third party or parties that could have a Material Adverse Effect;

6.7 Subordinated Debt. If Debtor makes any payment on account of Subordinated Debt, except to the extent such payment is allowed under any subordination agreement entered into with Secured Party;

6.8 Judgments. If a judgment or judgments for the payment of money in an amount, individually or in the aggregate, of at least Fifty Thousand Dollars (\$50,000) shall be rendered against Company and shall remain unsatisfied and unstayed for a period of ten (10) days; or

7. SECURED PARTY'S RIGHTS AND REMEDIES.

7.1 Rights and Remedies. Upon the occurrence and during the continuance of an Event of Default, Secured Party may, at its election, without notice of its election and without demand, do any one or more of the following, all of which are authorized by Debtors:

(a) Declare all Obligations, whether evidenced by this Agreement, by any of the other Loan Documents, or otherwise, immediately due and payable (provided that upon the occurrence of an Event of Default described in Section 6.5, all Obligations shall become immediately due and payable without any action by Secured Party);

(b) Settle or adjust disputes and claims directly with account debtors for amounts, upon terms and in whatever order that Secured Party reasonably considers advisable;

(c) Make such payments and do such acts as Secured Party considers necessary or reasonable to protect its security interest in the Collateral. Debtors agree to assemble the Collateral if Secured Party so requires, and to make the Collateral available to Secured Party as Secured Party may designate. Each Debtor authorizes Secured Party to enter the premises where the Collateral is located, to take and maintain possession of the Collateral, or any part of it, and to pay, purchase, contest, or compromise any encumbrance, charge, or lien which in Secured Party's determination appears to be prior or superior to its security interest and to pay all expenses incurred in connection therewith. With respect to any of Company's owned premises, Debtor hereby grants Secured Party a license to enter into possession of such premises and to occupy the same, without charge, in order to exercise any of Secured Party's rights or remedies provided herein, at law, in equity, or otherwise;

(d) Set off and apply to the Obligations any and all indebtedness at any time owing to either Debtor by Secured Party;

(e) Ship, reclaim, recover, store, finish, maintain, repair, prepare for sale, advertise for sale, and sell (in the manner provided for herein) the Collateral. Secured Party is hereby granted a license or other right, solely pursuant to the provisions of this Section 7.1, to use, without charge, Debtor's labels, rights of use of any name, trade names, trademarks, service marks, and advertising matter, or any property of a similar nature, as it pertains to the Collateral, in completing production of, advertising, for sale, and selling any Collateral and, in connection with Secured Party's exercise of its rights under this Section 7.1, Debtor's rights under all licenses and all franchise agreements shall inure to Secured Party's benefit;

(f) Sell the Collateral at either a public or private sale, or both, by way of one or more contracts or transactions, for cash or on terms, in such manner and at such places (including Debtor's premises) as Secured Party determines is commercially reasonable and apply any proceeds to the Obligations in whatever manner or order Secured Party deems appropriate;

(g) Secured Party may credit bid and purchase at any public sale; and

(h) Any deficiency that exists after disposition of the Collateral as provided above will be paid immediately by Debtor.

7.2 Power of Attorney. Effective only upon the occurrence and during the continuance of an Event of Default, Debtor hereby irrevocably appoints Secured Party (and any of Secured Party's designated officers, or employees) as Debtor's true and lawful attorney to: (a) send requests for verification of Accounts or notify account debtors of Secured Party's security interest in the Accounts; (b) endorse Debtor's name on any checks or other forms of payment or security that may come into Secured Party's possession; (c) sign Debtor's name on any invoice or bill of lading relating to any Account, drafts against account debtors, schedules and assignments of Accounts, verifications of Accounts, and notices to account debtors; (d) dispose of any Collateral; (e) make, settle, and adjust all claims under and decisions with respect to Debtor's policies of insurance; (f) settle and adjust disputes and claims respecting the accounts directly with account debtors, for amounts and upon terms which Secured Party determines to be reasonable; and (g) to file, in its sole discretion, one or more financing or continuation statements and amendments thereto, relative to any of the Collateral without the signature of Debtor where permitted by law, provided Secured Party may exercise such power of attorney to sign the name of Debtor on any of the documents described in Section 2.2 regardless of whether an Event of Default has occurred. The appointment of Secured Party as Debtor's attorney in fact, and each and every one of Secured Party's rights and powers, being coupled with an interest, is irrevocable until all of the Obligations have been fully repaid and performed and Secured Party's obligation to provide advances hereunder is terminated.

7.3 Accounts Collection. At any time during the term of this Agreement, with prior notice to Debtor unless an Event of Default has occurred and is continuing in which case no notice shall be required, Secured Party may notify any Person owing funds to Debtor of Secured Party's security interest in such funds and verify the amount of such Account. Upon the occurrence and during the continuance of an Event of Default, Debtor shall collect all amounts owing to Debtor for Secured Party, receive in trust all payments as Secured Party's trustee, and immediately deliver such payments to Secured Party in their original form as received from the account debtor, with proper endorsements for deposit.

7.4 Secured Party Expenses. If Debtor fails to pay any amounts or furnish any required proof of payment due to third persons or entities, as required under the terms of this Agreement, then Secured Party may do any or all of the following after reasonable notice to Debtor: (a) make payment of the same or any part thereof; (b) set up such reserves under the Revolving Facility as Secured Party deems necessary to protect Secured Party from the exposure created by such failure (provided that Debtor will not be charged interest on such unused reserves); or (c) obtain and maintain insurance policies of the type discussed in Section 4.6 of this Agreement, and take any action with respect to such policies as Secured Party deems prudent. Any amounts so paid or deposited by Secured Party shall constitute Secured Party Expenses, shall be immediately due and payable, and shall bear interest at the then applicable rate hereinabove provided, and shall be secured by the Collateral. Any payments made by Secured Party shall not constitute an agreement by Secured Party to make similar payments in the future or a waiver by Secured Party of any Event of Default under this Agreement.

7.5 Secured Party's Liability for Collateral. So long as Secured Party complies with reasonable commercial practices, Secured Party shall not in any way or manner be liable or responsible for: (a) the safekeeping of the Collateral; (b) any loss or damage thereto occurring or arising in any manner or fashion from any cause; (c) any diminution in the value thereof; or (d) any act or default of any carrier, warehouseman, bailee, forwarding agency, or other person whomsoever. All risk of loss, damage or destruction of the Collateral shall be borne by Debtor.

7.6 Remedies Cumulative. Secured Party's rights and remedies under this Agreement, the Loan Documents, and all other agreements shall be cumulative. Secured Party shall have all other rights and remedies not inconsistent herewith as provided under the Code, by law, or in equity. No exercise by Secured Party of one right or remedy shall be deemed an election, and no waiver by Secured Party of any Event of Default on Debtor's part shall be deemed a continuing waiver. No delay by Secured Party shall constitute a waiver, election, or acquiescence by it. No waiver by Secured Party shall

be effective unless made in a written document signed on behalf of Secured Party and then shall be effective only in the specific instance and for the specific purpose for which it was given.

7.7 Demand; Protest. Each Debtor waives demand, protest, notice of protest, notice of default or dishonor, notice of payment and nonpayment, notice of any default, nonpayment at maturity, release, compromise, settlement, extension, or renewal of accounts, documents, instruments, chattel paper, and guarantees at any time held by Secured Party on which Debtor may in any way be liable.

8. NOTICES.

Unless otherwise provided in this Agreement, all notices or demands by any party relating to this Agreement or any other agreement entered into in connection herewith shall be in writing and (except for financial statements and other informational documents which may be sent by first-class mail, postage prepaid) shall be personally delivered or sent by a recognized overnight delivery service, certified mail, postage prepaid, return receipt requested, or by telefacsimile to Debtor or to Secured Party, as the case may be, at its addresses set forth below:

| | |
|----------------------|---|
| If to Debtor: | St. Marie's River Railroad Company Railroad Avenue Attn: St. Mary's ID 83861 With a copy to: Mike Williams P.O. Box 612 Richmond, Missouri 64085 Telecopier No: (816) 470-7069 Telephone No: (816) 776-7270 Cellular Phone No: (816) 260-8747 |
| If to Secured Party: | Potlatch Land & Lumber, LLC 601 W. First Avenue, Suite 1600 Spokane, Washington 99201 Attention: Vice President and General Counsel Telecopier No.: (509) 343-2896 Telephone No.: (509) 835-1523 |

The parties hereto may change the address at which they are to receive notices hereunder, by notice in writing in the foregoing manner given to the other.

9. CHOICE OF LAW AND VENUE; JURY TRIAL WAIVER.

This Agreement shall be governed by, and construed in accordance with, the internal laws of the State of Washington, without regard to principles of conflicts of law. Each of Debtor and Secured Party hereby submits to the exclusive jurisdiction of the state and Federal courts located in the County of Spokane, State of Washington.

10. GENERAL PROVISIONS.

10.1 Successors and Assigns: This Agreement shall bind and inure to the benefit of the respective successors and permitted assigns of each of the parties; provided, however, that neither this Agreement nor any rights hereunder may be assigned by Debtor without Secured Party's prior written consent, which consent may be granted or withheld in Secured Party's sole discretion. Secured Party shall

have the right, without the consent of or notice to Debtor to sell, transfer, negotiate, or grant participation in all or any part of, or any interest in, Secured Party's obligations, rights and benefits hereunder.

10.2 Indemnification. Debtor shall defend, indemnify and hold harmless Secured Party and its officers, employees, and agents against: (a) all obligations, demands, claims, and liabilities claimed or asserted by any other party in connection with the transactions contemplated by this Agreement; and (b) all losses or Secured Party Expenses in any way suffered, incurred, or paid by Secured Party as a result of or in any way arising out of, following, or consequential to transactions between Secured Party and Debtor whether under this Agreement, or otherwise, (including without limitation reasonable attorneys fees and expenses), except for losses caused by Secured Party's gross negligence or willful misconduct.

10.3 Time of Essence. Time is of the essence for the performance of all obligations set forth in this Agreement.

10.4 Severability of Provisions. Each provision of this Agreement shall be severable from every other provision of this Agreement for the purpose of determining the legal enforceability of any specific provision.

10.5 Amendments in Writing, Integration. This Agreement cannot be amended or terminated orally. All prior agreements, understandings, representations, warranties, and negotiations between the parties hereto with respect to the subject matter of this Agreement, if any, are merged into this Agreement and the Loan Documents.

10.6 Counterparts. This Agreement may be executed in any number of counterparts and by different parties on separate counterparts, each of which, when executed and delivered, shall be deemed to be an original, and all of which, when taken together, shall constitute but one and the same Agreement.

10.7 Survival. All covenants, representations and warranties made in this Agreement shall continue in full force and effect so long as any Obligations remain outstanding. The obligations of Debtor to indemnify Secured Party with respect to the expenses, damages, losses, costs and liabilities described in Section 10.2 shall survive until all applicable statute of limitations periods with respect to actions that may be brought against Secured Party have run.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date first above written.

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**DEBTOR
SECURED PARTY:**

**SAINT MARIES RIVER RAILROAD COMPANY
POTLATCH LAND & LUMBER, LLC**

EXHIBIT A-1

COLLATERAL DESCRIPTION

All personal property of Debtor (herein referred to as "Debtor" or "Debtor") whether presently existing or hereafter created, written, produced or acquired, including, but not limited to:

(i) all accounts receivable, accounts, chattel paper, contract rights, documents, instruments, money, deposit accounts and general intangibles, including, without limitation, returns, repossessions, books and records relating thereto, and equipment containing said books and records, all investment property including securities and securities entitlements;

(ii) all goods, including, without limitation, Equipment and Inventory as the same are defined in the Security Agreement;

(iii) all trademarks, service marks, trade names and service names and the goodwill associated therewith; and

(iv) all products and proceeds, including, without limitation, insurance proceeds, of any of the foregoing.

DEBTOR
SECURED PARTY:

[Purchasing Entity]
Potlatch Land & Lumber, LLC

EXHIBIT A-2

COLLATERAL DESCRIPTION

All of Debtor's right, title and interest in and to the common stock of the Saint Maries River Railroad Company, and all products and proceeds thereof.

Exhibit D

Operating Guaranty

Between

Potlatch Land & Lumber LLC

And

Michael Williams

Dated [insert Closing Date]

GUARANTY

"Creditor" Potlatch Corporation
601 West First Avenue, Suite 1600
Spokane, WA 99201
Attention: Treasurer

"Debtor" [Purchasing Entity]
[address]

"Guarantor" Michael Williams
[address]

Date: _____, 2010

THIS GUARANTY ("Guaranty"), dated as of the Date first set forth above, is executed by Guarantor in favor of Creditor. To induce Creditor to enter into a Stock Purchase Agreement dated _____, 2010 (the "Agreement") with Debtor, and in consideration of the benefits that will accrue to Guarantor under the Agreement, Guarantor agrees that:

1. Definitions.

- 1.1 "Agreements" refers to the Agreement, the Service Agreement identified as Exhibit B to the Agreement, and the Security Agreement identified as Exhibit C to the Agreement.
- 1.2 "Debt" refers to all liabilities and obligations of Debtor to Creditor under each of the Agreements, and all amounts owed by Debtor to Creditor under each of the Agreements, whether such payments are for principal, interest, fees, expenses, or otherwise, and whether such payments, liabilities, or obligations are now existing or created or incurred in the future, due or to become due, or absolute or contingent, including obligations and duties arising from the terms of all documents prepared or submitted for the transaction contemplated by the Agreements or any of them.

2. Guaranty of Payment and Performance. Guarantor absolutely, unconditionally and irrevocably guarantees to Creditor the full and prompt payment and performance of each and every Debt of every type, purpose and description that Debtor either individually, or with others, may now or at any time in the future owe Creditor, including, without limitation, all principal, accrued interest, and attorneys' fees and collection costs when allowed by law, that may become due from Debtor to Creditor in collecting and enforcing the Debt and each of the Agreements with respect to Debtor. This Guaranty is a guaranty of payment and performance, and not of collection.

3. Full Force and Effect. This Guaranty will remain in full force and effect notwithstanding:

- 3.1 Creditor's taking, acceptance, or release of other security or guaranty for Debtor's obligations under the Agreement;
- 3.2 Debtor's insolvency or lack of corporate power;
- 3.3 The filing of any petition by or against Debtor for liquidation or reorganization;

- 3.4 Any payment by Debtor to Creditor that must be returned by Creditor as a "voidable preference," "fraudulent transfer," or otherwise;
- 3.5 Any amendment made to any of the Agreements;
- 3.6 Any extension, adjustment, or forbearance granted with respect to the Debt; or
- 3.7 The failure to notify Guarantor of any of the foregoing events;
4. **Waiver.** Guarantor expressly waives notice of acceptance of this Guaranty, extension of time for the payment of the Debt or of any material modifications to the Agreement.
5. **Notices.** All notices, requests, and demands required by this Guaranty are to be in writing, signed by an authorized representative of the party delivering such notice, request or demand, and will be deemed given when delivered. (i) personally; (ii) by telegram or telecopy, promptly confirmed by mail, (iii) one business day after being sent by overnight courier; or (iv) four business days after being mailed by registered or certified mail, in each case to the appropriate address set forth above, or to such other address as each party may designate in writing to the other party. All demands for payment shall be effective when received by Guarantor.
6. **Successors and Assigns.** This Guaranty is binding upon and inures to the benefit of the Guarantor, Creditor, and their respective successors and assigns.
7. **Amendment.** No amendment or waiver of any provision of this Guaranty will be effective unless it is in writing and signed by the party to be bound.
8. **Governing Law.** This Guaranty will be governed by the laws of the state of Washington, without regard to choice of law principles.

Guarantor has executed this Guaranty as of the day and year first above written.

GUARANTOR

Michael Williams
